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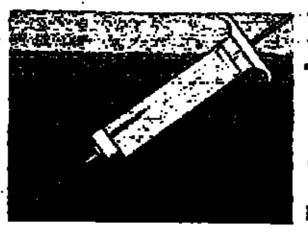
FINANCIAL TIMES

Crash safeguards

How the US economy would be protected

Page 4



Economics of drugs

Supply management drives prices

Martin Wolf, Page 12

EU research

Commercial uptake has been disappointing

Technology, Page 10

Corporate bribery

US drive for global clampdown nears goal

Page 13

World Business Newspaper http://www.FT.com TUESDAY JULY 22 1997

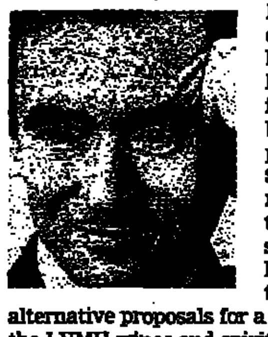
Bavarian banking merger is set to create new giant

Two Bavarian banks are to merge in a deal which will create the second biggest bank in Germany. The decision of Bayerische Vereinsbank and Bayerische Hypotheken-und-Wechsel-Bank to combine follows intense speculation about rationalisation and was welcomed by investors. The new bank, to be called Bayerische Hypo-und Vereinsbank, will rank second behind Deutsche Bank and ahead of both Dresdner Bank and Commerzbank. Page 15; Editorial Comment, Observer Page 13; Lex, Page 14

Shake-up at Andersen Consulting: Andersen Consulting, the international management and IT consultancy, is to announce a high-level reorganisation designed to take it closer to being a truly global firm. The shake-up was announced to partners over the weekend by managing partner George Shaheen. Page 15

Ulster talks in the balance: The future of Northern Ireland's multi-party talks hangs in the balance after the Ulster Unionist Party leader David Trimble said his party – the largest pro-union grouping in the province – was preparing to vote against proposals allowing Sinn Féin to take part before the IRA hands in its weapons. Page 14

Arnault resigns from Guinness board:



Bernard Arnault, chairman of French luxury goods group LVMH, has resigned from the board of UK brewer Guinness in protest at its planned $40bn merger with rival Grand Metropolitan. Mr Arnault, left, said he was leaving his non-executive seat to concentrate on his alternative proposals for a three-way merger of the LVMH wines and spirits business with those of Guinness and GrandMet. Page 15

Sweden backs power plan: Sweden has backed plans for a SKr2.5bn ($320m) undersea electricity cable linking Sweden and Poland, in a step towards integration of the Nordic-Baltic power market. Page 3

Mideast talks in Brussels: Palestinian leader Yassir Arafat and Israeli foreign minister David Levy are expected to meet in Brussels in a bid to restart the peace talks. Page 7

Beer bottle battle: Beer wars in the Philippines are hotting up. A police raid on a San Miguel brewery revealed that the country's largest brewer was holding 300,000 cases and 5.4m empty bottles belonging to Asia Brewery, its nearest rival. Page 14

Lee is Korean candidate: Lee Hoi-chang, an ex-prime minister and a former judge with a reputation for fighting corruption, is set to become South Korea's next leader after being nominated by the governing New Korea party to succeed President Kim Young-sam. Page 14

AT&T profits plunge: AT&T's profits after tax fell by 38 per cent in this year's second quarter. The biggest US telecoms company suffered from the costs of trying to break into the local market and a further loss of market share in long-distance calling. Page 17

Reshuffle in Taipei: Taiwan's president Lee Teng-hui has told the country's National Assembly that the government will reshuffle the cabinet to consolidate recent constitutional reforms which are a symbolic step toward Taiwanese independence of China. Page 6

Taylor heads for Liberia win: Charles Taylor, the civil servant turned warlord, is emerging as the winner in Liberia's presidential election. Provisional results gave Mr Taylor up to 62 per cent of the vote. Page 7

HK jitters force intervention: Jitters on the foreign exchange market forced the Hong Kong Monetary Authority to intervene to tighten liquidity, pushing up interest rates in the interbank market, said traders. Page 6

Shortages dent Boeing performance: Manpower and components shortages dented Boeing's performance in the second quarter, with net income at the aerospace group falling almost 15 per cent to $399m from $468m, in spite of a 48 per cent rise in sales to $9.29bn. Page 15

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	7,884.89	(-5.57)
NASDAQ Composite	1,537.53	(-10.46)
Europe and Far East		
CAC40	2,874.12	(-2.57)
DAX	4,108.40	(-88.13)
FTSE 100	4,805.7	(-71.5)
Nikkei	closed	

US LUNCHTIME RATES

Federal Funds	5⅞%
3-mth Treas Bills: Yld	5.246%
Long Bond	101 1/32
Yield	6.531%

OTHER RATES

UK: 3-mo Interbank	7%	(6⅞%)
UK: 10 yr Gilt	101⅜	(101⅝)
France: 10 yr OAT	100.48	(100.05)
Germany: 10 yr Bund	103.13	(103.12)
Japan: 10 yr JGB	closed	(104.9225)

NORTH SEA OIL (Argus)

Brent Dated	$18.14	(18.335)

GOLD

New York: Comex		
	$325.5	(328.5)
London:		
Close	$326.75	(324.35)

DOLLAR

New York: lunchtime		
£	1.6773	
DM	1.79725	
FFr	6.0575	
SFr	1.47645	
Y	116.05	
London:		
£	1.678	(1.6744)
DM	1.7964	(1.7907)
FFr	6.0645	(6.0505)
SFr	1.4783	(1.4739)
Y	115.84	(115.515)
Tokyo closed:		

STERLING

DM	3.0142	(2.9983)

9 770174 736128

Employers angry at move designed to pave way for Emu entry

French business taxes rise

By David Owen and Andrew Jack in Paris

France's Socialist-led government announced a higher than expected increase in the tax burden on profitable companies yesterday in an attempt to keep the country on course to join the planned single European currency.

But Mr Dominique Strauss-Kahn, finance and industry minister, offered no guarantee that his FFr32bn ($5.26bn) package of new public deficit reduction measures would be enough for France to meet the strict Maastricht public deficit criterion for economic and monetary union.

This fixes the maximum deficit level for joining the new currency at 3 per cent of gross domestic product, though under exceptional circumstances a country can still run a deficit above 3 per cent and qualify for Emu.

Mr Strauss-Kahn indicated in an interview that whether France achieved 3 per cent would depend on economic growth and tax revenues.

He said France would get "as close as possible to 3 per cent for 1997. We will be at least as eligible as our partners to qualify for the single currency".

Two-thirds of yesterday's package – FFr22bn – will be generated by higher taxes on large French companies.

About FFr16bn of this will come from lifting the effective rate of corporation tax for large companies from 36.6 per cent to 41.6 per cent. This rate will apply in 1997 and 1998, and will be reduced progressively after that. Mr Strauss-Kahn said the tax rise would not apply to companies with an annual turnover of less than FFr50m.

The minister also disclosed that the government was considering plans to waive the additional levy for companies that gave undertakings on investment and job creation.

"It is not impossible that next year we will put in place ways for companies to free themselves from some corporate taxes, based on commitments in certain areas – maybe investment, maybe on hiring," he said. Another FFr6bn will be raised by lifting the tax on companies' capital gains. These will in future be taxed at the same rate as profits, rather than at the current 19 per cent. Mr Strauss-Kahn said a further FFr10bn would be cut from the deficit by reducing government spending. Military spending would be cut by FFr2bn. Another FFr4bn would come from contributions by Electricité de France, the power group, and Caisse des Dépôts et Consignations, a state-controlled financial institution.

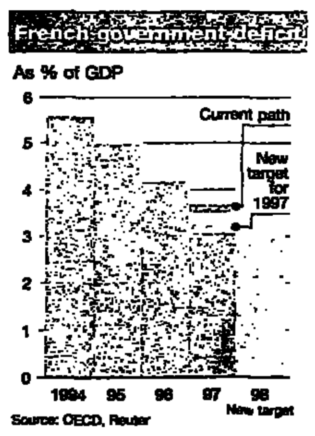
The finance minister described his package as "measured, balanced and simple". But French business reacted angrily to the plans,

Continued on Page 14

Dominique Strauss-Kahn, French finance and industry minister, announcing higher corporate taxes yesterday AP

Angry employers .... Page 2
Bonn approves .... Page 2
Editorial Comment .... Page 13
Lex .... Page 14

French government deficit



Source: OECD, Reuter

Indonesian currency new victim of SE Asia 'contagion'

By James Kynge in Kuala Lumpur

Indonesia's rupiah fell sharply to a historic low yesterday, the latest victim in a cycle of speculative contagion which has afflicted each important south-east Asian currency during the past three weeks.

The rupiah slipped to a low rate of 2,665 to the US dollar during mid-morning trading in Jakarta, down more than 6 per cent from its 2,510 close on Friday. At the close of trading yesterday, it was at 2,635/45 to the dollar.

Analysts said the rupiah's slide was not driven by fundamental factors as in the case of Thailand and the Philippines, where overheated property markets and fragile banking systems had fuelled intense foreign-currency speculation, leading to the *de facto* devaluation of the Thai baht and the peso two weeks ago.

With the rupiah, analysts said it was simply a "contagion" effect taking hold. Dealers put the slide down to panic selling – by Indonesians who believed the time had come for the rupiah to fall, and by some foreign speculators who seized upon its weakness.

Bank Indonesia, the central bank, intervened at about 2,665 rupiah, bringing the currency temporarily back to around 2,590 before it slipped again late in Jakarta trading.

The fall brought the rupiah perilously close to the lower end of the bank's intervention band, which was widened from 8 per cent to 12 per cent early this month after the devaluation of the baht on July 2. Yesterday, the rupiah's band was set at 2,378-2,682 to the dollar.

The band is the boundary beyond which Bank Indonesia will not allow the currency to move. But currency dealers said it also provides a target for speculators.

Economists said it remains to be seen whether Bank Indonesia will defend the

Continued on Page 14
Currencies, Page 23
IMF upbeat, Page 6
HK liquidity tightened, Page 6

Boeing firm over supply contracts

EU likely to rule against McDonnell deal

By Michael Skapinker, Aerospace Correspondent

The three US airlines which have concluded the exclusive supply agreements holding up the European Commission's approval of the Boeing-McDonnell Douglas merger have indicated that they have no objection to the contracts being altered.

But with Brussels expected to rule tomorrow against the merger of the two US companies, Boeing is still resisting pressure to drop the agreements, under which American, Delta and Continental Airlines will not buy aircraft from any other manufacturer for 20 years. A decision by the Commission to veto the merger could lead to retaliatory action by Washington.

Boeing and the Commission are believed to have agreed that McDonnell Douglas's civil aircraft operations should be a separate legal entity within Boeing. They have also agreed that Boeing should provide Brussels with regular reports so that it can ensure McDonnell Douglas government defence research funds are not being used to subsidise Boeing's civil programmes.

But they have failed to agree on the three exclusive supply agreements. Boeing has offered to shorten the terms to 13 years and not to conclude any new exclusive supply contracts for 10 years. The Commission has rejected this as inadequate.

Industry observers say Boeing has pressed the airlines to object publicly to having the contracts changed, but that they have refused to do so. Mr Robert Crandall, chairman of American, said: "If Boeing are compelled to change the contract, we will work with them."

Mr Gregory Brenneman, president of Continental, said last week that his airline did not object to the exclusivity provisions being dropped. Delta would not comment but those familiar with the company say it has no objection.

Although the airlines received price discounts in return for appointing Boeing sole supplier, executives believe American and Delta would have got them even without the exclusivity provision because of the size of their purchases.

American and Delta have placed orders which could see them each take delivery of more than 600 Boeings. Continental has ordered only 35 wide-bodied aircraft from Boeing but Mr Brenneman said his company would not buy aircraft from Airbus Industrie, the European consortium, even if the exclusivity clause was dropped. He said Continental had decided to buy from one manufacturer only to reduce training and maintenance costs. After vigorous competition between Boeing and Airbus, it had decided in favour of the US manufacturer. American and Delta have also emphasised the benefits of buying from one supplier.

Boeing would not say why it refused to scrap the exclusivity clauses,but observers say it is concerned that future executives of the three airlines may change the policy of buying only from Boeing.

Boeing results, Page 15

Leadership struggle could split Bosnian Serb republic

By David Buchan in London

The open rift among Bosnian Serb leaders, following Sunday's expulsion of President Biljana Plavsic from her own ruling party, threatened yesterday to split the Bosnian Serb republic and jeopardise the Dayton peace plan.

The long power struggle between Mrs Plavsic and more hardline supporters of the indicted war criminal, Mr Radovan Karadzic, came to a head last week as Bosnian Serb forces began to target Nato forces and international observers in a series of bombings. These were in response to the action of British troops earlier this month in capturing one Bosnian Serb war crimes suspect and shooting dead another who resisted arrest.

Mr Bill Richardson, US ambassador to the United Nations, said in Sarajevo yesterday the Bosnian Serb bombings, which have not caused injury, were "intolerable and, if not ended, could pull us down an extremely dangerous road".

The US envoy said the commander of the Nato-led Stabilisation Force (Sfor), US General William Crouch, had assured him that Sfor would "not be deterred from carrying out its mission".

The outcome of the Bosnian Serb power struggle is made no clearer by the fact that, while Mrs Plavsic has been expelled from the ruling Serb Democratic party (SDS), she is still nominally president and can only be removed by a referendum.

Despite her criticisms of the Serbian president, Mr Slobodan Milosevic, and the fact that she has incurred the wrath of Mr Karadzic, Mrs Plavsic has retained considerable support from regional SDS members, especially in her political base in the northern town of Banja Luka. Hardliners supporting Mr Karadzic seem ever more strongly entrenched in Pale, near Sarajevo.

Nato has lent cautious support to Mrs Plavsic, upholding her constitutional right to dissolve the Bosnian Serb parliament and call fresh elections in September. This was the move that prompted the hardliners to act against her. Mr Robin Cook, UK foreign secretary, plans to see her when he visits Bosnia next week.

But western officials are aware Mrs Plavsic remains a staunch Serb nationalist, and tend to characterise her as the lesser evil within a Bosnian Serb leadership which remains very reluctant to sustain the Dayton peace process.

The latest retaliatory bombing against international peacekeepers was in Banja Luka on Saturday night.

Credibility's sake, Page 12

CONTENTS

LONDON • LEEDS • PARIS • FRANKFURT • STOCKHOLM • MADRID • NEW YORK • LOS ANGELES • TOKYO • HONG KONG

Higher corporate taxes in deficit reduction package provoke angry response from employers

French fury as companies 'bear brunt'

By Samer Iskandar in Paris

France's large companies reacted angrily yesterday to government plans that impose on private business most of the burden in a belt-tightening exercise necessary for the country to qualify for European economic and monetary union (Emu).

Out of a deficit reduction package of FFr32bn ($5.26bn), companies will contribute FFr22bn in higher taxes, while the government will cut spending by FFr10bn.

"Once more, France has decided to make companies bear the largest part of the effort," the CNPF, the employers' federation, said yesterday. "France, which holds the world record in terms of taxation, has once again decided to solve its problems by increasing taxes."

Mr Dominique Strauss-Kahn, minister of finance and industry, said his proposed measures would reduce the budget deficit by 0.4 percentage points, bringing the total deficit down to 3.1 to 3.3 per cent of gross domestic product.

Two fiscal measures were announced. The first affects capital gains, which will in future be taxed at the same rate as profits. They were previously taxed at a rate of 19 per cent. The new rate is expected to boost receipts by FFr6bn.

"High inflation in the past, which could have explained the lower tax rate on capital gains, has now disappeared," said Mr Strauss-Kahn. "Therefore, there is no longer any reason to distinguish between capital gains and profits."

The second measure is a temporary 15 per cent – or five percentage points – increase in the corporate tax rate, from 36.6 per cent to 41.6 per cent. It should increase tax revenues by FFr16bn this year and in 1998. "This rise will be temporary, it will only be applied in 1997 and 1998," said Mr Strauss-Kahn. "As of 1999, it will be brought down from 15 per cent to 10 per cent," resulting in a tax rate of around 40 per cent.

However, Mr Noël Goutard, chairman of Valeo, the car components group, expressed scepticism that the new tax measures would be short-lived. "In France, what is temporary usually lasts," he said.

The measures announced yesterday will apply only to large companies with a turnover of more than FFr50m. Smaller companies, which the minister claimed accounted for 80 per cent of the total number but only 32 per cent of profits, will not be affected.

The CGPME, the trade association of small and medium-sized companies, expressed relief that its concerns had been taken into account.

Mr Lucien Rebuffel, its president, said small companies had been creating jobs for the past 15 years. But he expressed sympathy for larger companies.

"This new burden will increase their difficulties and accelerate delocalisation [towards countries with cheaper labour]," said Mr Rebuffel.

Mr Goutard said that the high costs of the public sector, which he argued was the real problem facing the government, were not addressed by the new measures. He added that the FFr50m turnover exemption threshold was too low, and that as a result the burden affected large, medium and smaller companies.

Mr Strauss-Kahn said companies should view the tax increases as "a FFr22bn investment in the euro [the planned Euopean single currency]". He also said companies could afford the higher taxes because their cash flows had reached record levels in 1996 but they were not investing very heavily.

He said he was "very conscious of the role of companies in growth and employment" but argued that France currently had a less onerous corporate tax regime than in most other leading industrial countries.

The CNPF said that although Emu was "essential", companies would not benefit from it if they were "exhausted by the time they got there".

Editorial Comment, Page 13
Lex, Page 14

Paris policy wins Bonn approval

By Ralph Atkins in Bonn

France's efforts to meet criteria for membership of the European single currency won muted applause in Germany yesterday. But Bonn stopped short of anticipating decisions to be taken next year on which countries will join the euro bloc.

Commenting on plans which include higher than expected taxes on companies to reduce France's public-sector deficit, Mr Theo Waigel, Germany's finance minister, said: "The political will is there."

But Mr Waigel, who spoke earlier with Mr Dominique Strauss-Kahn, French finance minister, added: "How it turns out at the end, you still can't say at present." Tax increases planned by the Socialist-led government in Paris could not be condemned as creative accounting because they would have a real impact, he argued.

Mr Waigel's cautious welcome highlighted the increasing dilemma faced by the Bonn government, which over the past few months has hardened its interpretation of the Maastricht treaty criteria for economic and monetary union.

Under pressure from Mr Waigel's Christian Social Union of Bavaria, Chancellor Helmut Kohl has conceded the criteria set for public-sector deficits should mean a ceiling of exactly 3.0 per cent of gross domestic product.

Mr Michael Glos, CSU parliamentary leader in Bonn, has said if France fails to meet the criteria, the euro should be postponed. Mr Kohl's government takes the view monetary union without France would be impossible for political reasons.

At the same time, the Bonn coalition has been embarrassed by signals from the new French government that it sees no need to reduce its deficit to exactly 3 per cent of GDP. Mr Kohl and other members of the government have refused to say whether they believe 3.0 per cent should apply to Paris as well as to Bonn.

Mr Peter Hausmann, government spokesman, said yesterday questions about membership of the planned monetary union were "inappropriate" at this stage. Germany would fulfil the Maastricht criteria and "everyone has to do their homework", Mr Hausmann said, with the goal of creating a stable currency.

Risks in interim phase gain currency

Worst case scenario highlights the possible problems of using the 'virtual euro'

By Wolfgang Münchau, Economics Correspondent

Preparing for Emu

Assuming that everything goes wrong with monetary union in the first three years, there is a risk that Germany could end up with hyper-inflation, that other countries could default on their national debt and that currency speculators could make a killing.

This scenario might seem far-fetched, but it is currently the subject of an intensive debate about the stability of the so-called interim period for economic and monetary union between 1999 and 2001.

Emu is seen most at risk during this period, when national currencies will continue to circulate as odd denominations of the euro. During those three years, the euro will be a "virtual currency".

There will be a European central bank and a single interest rate, and companies and individuals will be able to carry out transactions in euros. But euro banknotes and coins will not arrive until 2002.

The argument about stability in the interim phase was triggered recently by Mr Walter Eltis, emeritus fellow of Exeter College, Oxford, in an article in Prospect, a monthly magazine published in the UK.

Mr Eltis writes that Emu could face premature death as investors desert their national currencies in favour of the D-Mark during this transitional period.

He argues that investors will pile into D-Marks especially when budget deficits in other countries increase. Depending on the scale of such a shift, D-Mark banknotes and coins could flood the whole Emu area and end up as Europe's single currency well before euro banknotes arrive in 2002.

But if Emu were to break up before 2002, Germany would end up with a hyper-inflationary supply of D-Marks.

"For a massive printing of D-Marks will leave most Germans, not least the directors of the Bundesbank, more than unhappy," he says.

Mr Avinash Persaud, head of currency research at JP Morgan, acknowledges that there is a risk, but describes it as vastly exaggerated. "What is needed for monetary union is the pooling of central bank reserves," he said.

"It is imperative that when the public take French francs to the Banque de France and ask for D-Marks in exchange, that on the other side the Bundesbank merrily prints D-Marks for the French because we have a pooled set of reserves. If there is a restraint, then monetary union is doomed."

According to the Maastricht treaty, national reserves are pooled only up to Ecu50bn ($55bn), a level which may prove insufficient if everybody decides to invest in D-Marks.

The risks of a collapse are so intense that European Union governments will struggle to make Emu work

Under normal circumstances, if Emu survives and if euros replace national banknotes in 2002 as scheduled, then a strategy of buying D-Marks would not pay off.

Changing Italian liras into euros would be the same as changing liras into D-Marks, and then changing D-Marks into euros.

But it also means that buying D-Marks carries no risk and no cost either – assuming that there will be no cost in switching from one currency to another.

There is even an outside chance of huge currency gain, if Emu were to collapse before January 2002, or even if just one or two countries decided to withdraw from it.

From the investor's point of view, the D-Mark carries no downside but a potentially huge upside.

Mr Martin Brookes, European economist at Goldman Sachs in London, said that this catastrophe scenario mixed up cause and effect. He said any conceivable break-up would reflect politics, not money flows.

He makes two points. First, governments will redenominate their debt from national currencies into euros in 1999, thereby limiting the degree to which investors could switch into D-Mark assets after 1999, as the number of such assets will be diminishing.

Secondly, he says, the extent to which investors would try to switch their bank accounts into D-Mark accounts would be limited. Under the Maastricht treaty, national denominations will only be legal tender in their home countries during the transitional period.

A strategy of "piling into D-Marks" would then become a purely speculative act.

People would still need to keep their current accounts in national currencies or in euros to pay for rent, mortgages and consumption, unless of course they packed up and moved to Germany.

Mr Brookes said this law limited the disaster scenario. The argument that piling into D-Marks could prove inflationary – let alone hyper-inflationary – for Germany, applies only to the extent that money is actually spent in Germany.

While this is true in a technical sense, the Bundesbank could still be nervous about printing unlimited amounts of D-Marks, as long as there is any risk – however small and for whatever reason – that Emu could break up.

Mr Brookes said that "the risks to Emu during this period relate more to European politics than to the actions of speculators".

Mr Persaud outlined another possible danger. If a country withdraws from Emu, it is likely to do so under severe political and economic circumstances, which in all likelihood would trigger a massive devaluation of the national currency against the euro.

"A country that wants to leave would have to embrace the risk of default on its national debt at the same time," he says.

The political, financial and economic risks of a collapse are therefore so intense that EU governments will try to struggle to make Emu work if and when it gets off the ground.

It is probably the same fear of the unknown which has kept the project together so far.

Yeltsin in war of words over military cuts

By John Thornhill in Moscow

President Boris Yeltsin yesterday forcefully reaffirmed his commitment to introducing a "mobile and technically well-equipped" professional army, suggesting that middle-ranking army officers might even be sent abroad to learn from other countries' experiences.

Stung by criticism of the slow pace of military reform, Mr Yeltsin yesterday lectured Mr Igor Sergeyev, the defence minister, on the urgent need to cut Russia's demoralised 1.7m-strong army by 500,000 men by the end of 1998.

"It has been necessary to sack two defence ministers in order to develop real measures to implement military reform," he said.

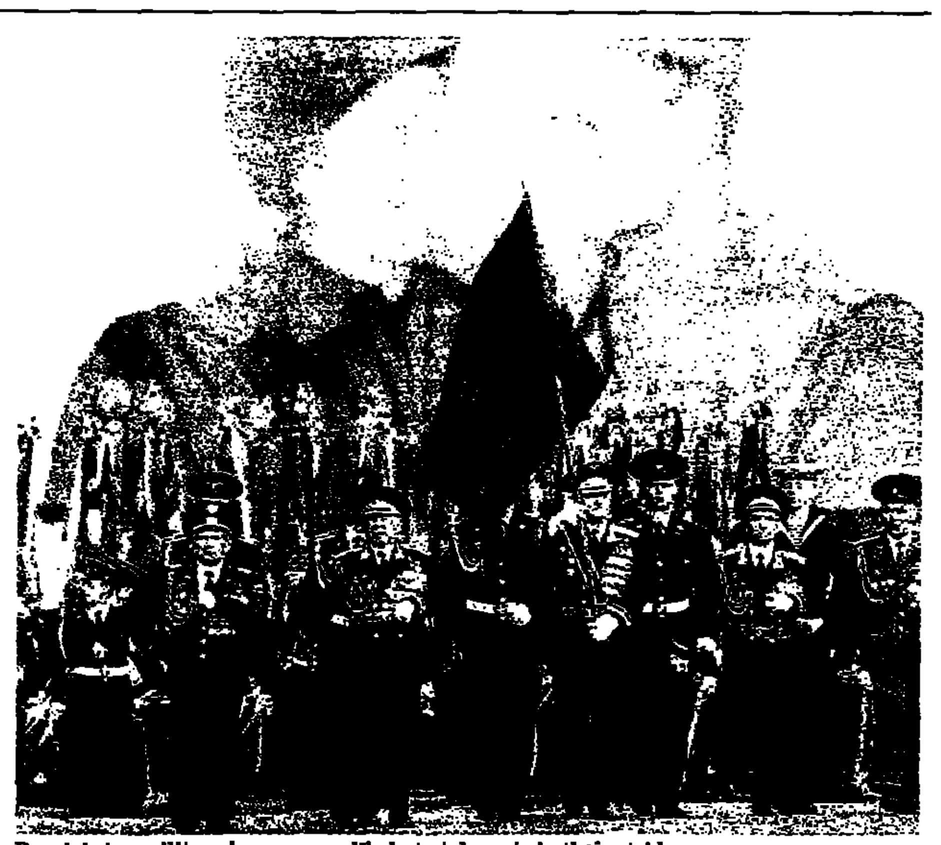
The Kremlin appears unnerved by the vociferous criticisms of Mr Lev Rokhlin, a former senior general and head of the parliamentary defence committee, who has founded a mass movement to bolster the military's status. Mr Rokhlin has called for greater funding to reverse the military's decay. "All the reforms, which we have witnessed, have in practice led to one conclusion: the disintegration of the army and its potential," he said.

Mr Yeltsin responded that he did not need the unconstructive help of the "Rokhlinites", and urged the defence ministry to intensify its efforts to explain the reforms contained in recent presidential decrees. "The people must know the true content of the reforms so that they understand our policies, and so that they can accurately evaluate the main means and measures of reform," he said.

The Russian media has been awash with stories in recent weeks highlighting the poor morale and desperate financial plight of the country's once-mighty armed forces.

The Interfax news agency reported yesterday that, over the past week alone, 39 infantrymen had been killed in various violent incidents.

Mr Yeltsin has said that the federal government's arrears to the armed forces will be eliminated by the beginning of September. He has promised that the federal and local authorities will protect the welfare of redundant servicemen by building 100,000 apartments.



Russia's top military brass are unlikely to take cuts in their stride

General Valery Manilov, the first deputy chief of the general staff, said the main thrust of the military reform would be to cut the forces to a healthy core and re-equip them to meet changed demands. Gen Manilov said the military's budget could not exceed 3.5 per cent of gross domestic product, but hinted that additional resources might be found from selling surplus property.

Many of the cutbacks will affect the army's top brass – who are expected to implement the reforms – and the defence ministry has already outlined plans to halve the infantry's general staff.

But Gen Manilov reassured his fellow officers that the reform's top priority would be the "preservation, consolidation, and qualitative improvement of the officer corps".

Turkey irked by EU talks with Cyprus

By John Barham in Ankara

Turkey, smarting from its exclusion last week from the European Union's list of membership candidates, has said it may begin gradual "measures towards economic and financial integration" with Turkish-occupied northern Cyprus.

A declaration by Mr Bülent Ecevit, Turkish deputy prime minister, and Mr Rauf Denktash, Turkish Cypriot leader, said Brussels' confirmation that it would begin accession talks with the Greek Cypriot government of Cyprus "would render useless the process of negotiation" between the island's two communities.

Mr Ecevit, speaking at ceremonies commemorating the Turkish invasion of 1974, which he approved as prime minister, said: "As long as Turkey exists, Greek dreams [of domination] will not be fulfilled." Turkey occupied northern Cyprus after a short-lived coup ordered by Athens that toppled the Cyprus government.

Officials say northern Cyprus would gain a status similar to that between Puerto Rico and the US, or the Channel islands and Britain. However, the "special relationship" promised by Ankara does not go much beyond the already very close links between northern Cyprus and Turkey. Ankara has 30,000 troops stationed on the island, is the only capital to recognise the Turkish Cypriot state and keeps its sickly economy alive with generous subsidies.

Although the declaration repeats Turkish warnings January after the Greek Cypriot government ordered Russian anti-aircraft missiles, its timing is awkward. Talks this month in the US between Mr Denktash and Mr Glafcos Clerides, Greek Cypriot leader, went better than expected and are due to resume next month. Earlier, Mr Mesut Yilmaz, Turkey's new prime minister, responded positively to US efforts to repair Turkey's bad relationship with Greece.

However, a Turkish official said: "The announcement from Brussels was like a cold shower. We were not expecting it. This [declaration] was a way of expressing displeasure." The Commission excluded Turkey because of human rights violations, an unstable economy and deficiencies in its democratic system.

EU officials say accession talks with Cyprus – a Greek demand for approving the EU's 1996 customs union with Turkey – are intended to help bring the island's two communities together. However, one senior official said that, if reunification talks stall, EU governments might decide to suspend accession talks.

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EUROPEAN NEWS DIGEST

French pledge on Eta action

The Basque terrorist group Eta was blamed yesterday for a grenade attack on a police barracks in Oviedo, northern Spain, in what officials said was the group's first action since it murdered a town councillor nine days ago. The attack, which caused no injuries and limited damage, suggests Eta has rejected calls for a ceasefire. It involved small homemade bombs set off from booby-trapped launchers by timing devices; two grenades missed the target and the launching mechanism failed on three others.

France yesterday promised to increase co-operation in cracking down on Eta members living clandestinely in the French Basque country. Scores of terrorists have been rounded up in this cross-border area over the years – 93 in the past year alone – but the Spanish government believes Eta's high command continues to operate from France.

Ms Elizabeth Guigou, French justice minister, who was attending a bilateral ministerial conference in Ibiza, promised to aid the fight against terrorism "with all the measures of a state of law". The two governments agreed to speed up extradition requests by Spain and to improve police co-ordination. *Tom Burns, Madrid*

■ GERMAN PENSIONS

Employers want early reform

Germany's federal employers' association, the BDA, yesterday called for changes in the state pension system next year, a year earlier than planned, in order to avoid a further rise in non-wage costs.

Mr Dieter Hundt, the association's president, said if the contributions paid by employers and employees were to increase next year, this would send a "disastrous" signal to the labour market. He said the 1997 wage round, now largely completed, had led to a "moderate" increase in employers' costs of less than 1 per cent. Wage rises averaging 1.5 per cent had been offset by cuts in benefits, including holiday and Christmas payments. Absenteeism had been cut and wage flexibility improved.

Last month, the government announced plans to keep pension contributions below 20 per cent of wages until 2020, as opposed to a forecast 23 per cent without reform. Pension levels would be cut from 70 per cent of average earnings to 64 per cent by 2030. *Ralph Atkins, Bonn*

■ HOLOCAUST VICTIMS

Swiss to lift the veil

Swiss banks will unveil tomorrow a long-awaited list of dormant accounts from before 1945, their latest break with banking secrecy under international pressure to find assets left by Holocaust victims. The names and account information will appear on the internet as well as in newspaper advertisements worldwide.

The list will cover accounts opened by foreigners before the second world war ended whose owners have not been heard from in at least 10 years. A second list will follow in October with dormant pre-1945 accounts opened by Swiss residents, who may have acted as proxies to hide away the assets of European Jews and others threatened by the Nazis.

The World Jewish Congress said it had mixed feelings about the list. "We're happy this is finally happening, but we're asking why it has taken so long," said its executive director, Mr Elan Steinberg, in New York. "Certainly there is no suggestion or belief on our part that this is a comprehensive list of dormant accounts," he said. *Reuter, Zurich*

■ MOSCOW ENERGY TALKS

Russia and G7 to meet

Moscow will host a meeting of energy ministers from the Group of Seven leading industrialised nations plus Russia next year. Russia's first deputy prime minister, Mr Boris Nemtsov, said it would probably take place in March or April.

Heads of state and government from the G7, together with President Boris Yeltsin, are due to meet in Birmingham, England, on May 15-17 next year.

Mr Nemtsov said the ministerial meeting would discuss global energy issues as well as investment in the Russian energy sector. The latter is a key area in which the reform-minded Moscow government sees significant growth and prosperity. *Reuter, Moscow*

■ ROME WAR CRIMES TRIAL

Judges consider verdict

Judges in the military trial of former SS captain Erich Priebke, who is charged with the massacre of 335 civilians in Rome under Nazi occupation, begin considering their verdict today in the Italian capital.

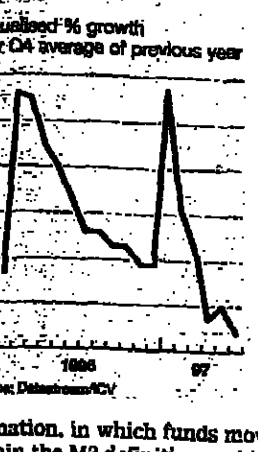
The defence ended its case yesterday with a final appeal to clear the 83-year-old defendant. The prosecution has demanded life imprisonment for Mr Priebke and 24 years for a co-defendant, former SS major Karl Hass.

The massacre was carried out on March 24, 1944, in retaliation for a Resistance bombimg that killed 33 German soldiers. The defence argued during the trial that it was a legitimate wartime reprisal and that Mr Priebke was merely following orders.

Last August another military tribunal convicted him of taking part in the massacre, but cleared him of the aggravating factors necessary to override Italy's 30-year statute of limitations on murder. A new trial was then ordered on the grounds that the first panel of judges was biased in his favour. *AP, Rome*

ECONOMIC WATCH

Money supply growth slows



German money supply growth slowed in June with the annual rate for M3 – the Bundesbank's main measure – falling for the first time this year within the central bank's target range of between 3.5 per cent and 6.5 per cent. The bank said the annual rate of 6.4 per cent in June compared with increases of 7.0 per cent in May and 6.7 per cent in April. The slowdown, which helped ease fears about an inflationary build-up, was partly due to stronger monetary capital formation, in which funds move out of short-term deposits within the M3 definition and into longer-term securities.

Federal statistics office figures for industrial producers' prices last month gave a contrasting inflation picture, showing a 1.4 per cent rise compared with a year before. That followed a rise of 1.1 per cent in the year to May. Producer price inflation has been building since February, probably fuelled by the weak D-Mark increasing the cost of raw materials. *Ralph Atkins*

Demands by the Albanian minority are fuelling Slav nationalism

Macedonia's volatile ethnic mixture approaches the boil

Three bare flagpoles are guarded by US-trained anti-terrorist police in the centre of Gostivar, the scene this month of some of Macedonia's worst ethnic violence since independence in 1991.

Demands by ethnic Albanians for greater rights erupted into conflict on July 9 after the government sent in special forces to take down the Albanian, Turkish and Macedonian national flags flying outside Gostivar's town hall. Police shot dead two young ethnic Albanians after a day-long stand-off with several thousand protesters, some of them armed. A third man beaten by police later died from his injuries, and several policemen received bullet wounds.

The interior ministry said 312 people had been arrested, including the town's newly-elected radical mayor, Mr Rufi Osmani. He has been charged on three counts of inciting violence and racial hatred and defying a Constitutional Court ban on flying the Albanian national flag outside the town hall.

"It was a catastrophe," said Mr Bujar Ibishi, an ethnic Albanian who works for the non-governmental Association for Democratic Initiative in Gostivar. "Gostivar was known as a city of tolerance, with cafes and discos where people went out together whatever their background. This is a big blow for inter-ethnic relations. At first the Macedonian Slavs felt it was a kind of victory of theirs, but then they started to feel fear."

The Moslem Albanians in Gostivar, which lies north-western Macedonia in a valley 20km from the mountains of eastern Albania, say arrests are continuing and that they live under a regime of terror. Last weekend, the normally bustling bazaar nestling between the mosques and the Slavs' Orthodox church was virtually deserted. The streets empty at nightfall.

Small and landlocked, Macedonia did not achieve independence in modern times until 1991, when it seceded from Communist Yugoslavia. But independence has not brought complete security.

Historically, Macedonia's neighbours – Albania, Serbia, Bulgaria and Greece – have taken a keen, even predatory interest in this part of the southern Balkans. And the Macedonian state's borders bear scant relation to the region's complex mix of ethnic groups.

According to the 1994 census, Slavs defined as "Macedonians" make up 66.5 per cent of the country's 2m people. Albanians constitute 22.9 per cent. The rest are divided among Turks, Serbs, Romanys and others.

The Albanians dispute the census, insisting they form a third of the total population. If present birth rates and migrations from Albania and neighbouring Kosovo continue then, according to

some demographers, Albanians could become a majority within 15 years.

Both sides see the dangers of growing inter-ethnic violence and agree a Bosnian-style war must be averted. Such a conflict risks dragging in Serbia, which has nearly 2m ethnic Albanians in the restive province of Kosovo, as well as Albania, Bulgaria and Greece. Macedonia accuses them of suppressing their own Macedonian minorities.

Calls for secession and formation of a "Greater Albania" by a minority of a new generation of radical Albanians have fuelled Macedonia's own brand of extreme Slav nationalism. A small group of students chanted "Albanians to the gas chambers" during anti-Albanian protests in the capital Skopje last March.

The collapse of central government authority in Albania has added to Macedonia's fears, as weapons looted from military depots cross the border freely. Officials suspect some of the Gostivar protestors had been brought in from Albania and Serbia.

"I am convinced that if what is happening in Albania today happens in Macedonia, the Balkans will go up in flames," Mr Kiro Gligorov, Macedonia's 80-year-old president, warned parliament in April. Diplomats doubt, however, that any widening violence in Macedonia would in fact drag in its Balkan neighbours. The US is strongly committed to Macedonia's territorial integrity and has 500 troops based there as part of a 1,000-strong United Nations monitoring force.

Analysts say the weak, leftwing coalition government, already struggling with an economic crisis, has been under growing pressure from the rightwing and more nationalist Slav opposition to use Gostivar as a signal that it will no longer seek compromises on the Albanian issue.

In an effort to defuse tension in Gostivar and the nearby town of Tetovo, parliament on July 7 passed a law allowing the controversial flags to be flown outside the town hall, but only on certain Macedonian national holidays. The mayors in both towns rejected the law and police moved in, including units that had been trained in the US. "Macedonia is already split up among other countries. We can't afford to lose any more pieces," said Mr Zoran Ivanov, the government spokesman.

The government points out that five ministers, several ambassadors and 18 of Macedonia's 120 members of parliament are ethnic Albanians. The constitution guarantees the rights of all Macedonians, whatever their ethnicity, but Albanians say its preamble reduces them to second-class citizens and they demand to be defined as an equal "founding nation" of Macedonia.

The government says this would just be a first step towards secession and accuses the newly-formed radical Democratic Party of Albanians and the mayors of Gostivar and Tetovo of seeking a Greater Albania.

Tetovo's mayor, Mr Alajdin Demiri, who is also charged with defying the Constitutional Court, insists he is working for a multi-ethnic state that would end what many Albanians see as discrimination in jobs, housing, education and positions of influence.

But he added: "If two ethnic communities are to exist in one state, either they co-operate or they isolate themselves. If this government repression of Albanians continues, then the idea of joining a Greater Albania becomes a necessity."

Guy Dinmore

A Moslem Albanian leaves a mosque in Gostivar. The town was the scene this month of some of Macedonia's worst ethnic conflict since independence Melanie Friend

Swedes back power link with Poland

By Greg McIvor in Stockholm

The Swedish government yesterday approved plans to build a SKr2.5bn ($320m) under-sea electricity cable linking Sweden and Poland, in a step towards integrating the Nordic-Baltic power market.

The cable, to be laid under the Baltic Sea, will for the first time enable direct exchange of electricity between the deregulated Nordic power market and a former Soviet Baltic rim country.

SwePol Link, the cable operator, is part-owned by Svenska Kraftnät, the Swedish state electricity grid operator, and Vattenfall, the country's dominant state power utility. PPGC, the Polish state-owned electricity company, has a 1 per cent share.

The project has been vehemently opposed by environmentalists, who fear that the cable's electrical field will disturb fish migration.

However, Mr Anders Sundström, Sweden's industry minister, said use of the cable could be restricted during migration to minimise such disruption, if such an effect were proven. The cable would "create a sustainable energy system" around the Baltic rim, he said.

The link, to be built by ABB, the Swiss-Swedish electrical engineering group, will have capacity of 600MW and is projected to be ready in late 1999. It will complement a similar cable opened three years ago between Sweden and Germany, and jointly owned by Vattenfall, the independent Swedish generator Sydkraft, and the German group PreussenElektra.

SwePol officials said finance would be raised on the international market and Vattenfall would act as guarantor. Loan discussions have been held with the Nordic Investment Bank and the Swedish export credit agency.

For Vattenfall, the cable offers access to a fast-growing market. Polish electricity consumption is expected to rise from 136 terawatt (million MW) hours a year to 149 within five years and capacity is strained at peak hours.

At present, total electricity consumption in Sweden, with a 9m population, is at the same level as in Poland, which has 39m inhabitants.

Although the cable could technically be used by other energy producers via the liberalised Nordic power market, Vattenfall will subscribe for most of the electricity capacity in the first 10 years.

Sweden expects to be a net exporter, selling around 1.5 per cent of its annual production to Poland via the link. In return, supplies of Polish electricity from coal-fired plants will become available after Sweden has started the process of decommissioning its nuclear power industry (which supplies half its electricity needs) from next year.

SwePol officials stressed, however, that Polish power would not be used as a substitute for lost nuclear generating capacity.

Gazprom turns heat on Belarus

By Charles Clover in Moscow

Russia's gas monopoly, Gazprom, announced yesterday it had cut by 25 per cent the gas it provides to neighbouring Belarus in an effort to force that country to pay what it owes for past supplies.

Gazprom started reducing supplies on Saturday, amid a dispute with Belarus over the size of the debt. According to Russian news agencies, Gazprom claims a total of $203m is owed, while Belarus claims the figure is $123m. A Gazprom spokesman would not confirm either sum.

Gazprom has been strapped for cash after being forced to pay a $3bn back tax liability to the Russian government last month.

Ukraine, Belarus and Moldova, which charge transit fees to Gazprom for exports to western Europe, have frequently defaulted on payments. Gazprom has resorted to reducing gas supplies when payments arrears have built up, usually with success.

The company provides Belarus with nearly all its natural gas needs, discounting its sales price in return for a discount on transit fees.

At the beginning of last year, the three countries owed Gazprom close to $3bn, but analysts say these arrears have been reduced significantly since then under pressure from the company. Gazprom has also taken payment in kind, such as assets in Ukrainian gas storage facilities.

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NEWS: THE AMERICAS

Fed ready to damp down fire

Greenspan may today repeat warnings about Wall Street exuberance

When Mr Alan Greenspan, the chairman of the US Federal Reserve, presents his semi-annual testimony to Congress today on the state of the US economy, financial markets will be even more jumpy than usual.

The stock market has risen to new peaks in the last few months on the back of a renewed burst of confidence about long-term US economic performance, and Mr Greenspan may well use the occasion to repeat his warnings to investors last year of the dangers of "irrational exuberance".

Some members of the Fed's policymaking open market committee are concerned that market perceptions of interest rate policy in the last few months have moved somewhat ahead of the central bank's own thinking.

The committee's decisions not to raise rates at its last two meetings have led some investors to conclude the Fed might share the widely-held view in financial markets that the current benign pattern of non-inflationary growth can go on forever. Mr Greenspan may well want to take the opportunity to distance himself from this optimism.

In fact, any remarks he does direct towards the stock market will reflect the continuing disquiet that exists among policymakers about the dangers of overheated equity prices.

Although Treasury and Fed officials have, as usual, been conspicuously careful not to suggest stocks are currently overvalued, they know surging prices – and the possibility of a sharp correction – are probably the greatest immediate risk to the prospects of maintaining the six-year-old economic expansion.

Watching the screens: Wall Street traders are even jumpier than usual ahead of Greenspan's speech to Congress Reuter

In recent weeks, as the market has edged higher, officials have been busy dusting off files on how to deal with stock market crashes. Their principal aim is to ensure that any sharp fall in share prices does not spread into a broader crisis.

On Sunday, Mr Robert Rubin, the Treasury secretary, gave a hint of this concern when he said the government role in any market difficulties was "to make sure we have in place the ... mechanisms so that if there is a correction then it won't have a systemic impact on the economy and won't threaten our financial system in any way".

Mr Rubin's remarks referred obliquely to the deliberations of one of the administration's most important policy committees. The President's Working Group on Financial Markets, comprising officials from the Treasury, the Fed, the Securities and Exchange Commission and other agencies, meets regularly to review the current regulatory and policy framework.

Three main groups of measures aim at containing a financial catastrophe – trading rules, capital and liquidity requirements, and, most important, the economic policy response.

AVOIDING ECONOMIC MELTDOWN

- Technical measures to limit trading difficulties
  - 'Circuit breakers' (trading pauses)
  - Increased exchange capacity
- Measures to limit financial damage
  - Improved capital and liquidity at brokers
- Policy responses to protect economy
  - Lower interest rates
  - Fiscal support

The first group is a number of technical changes made to trading rules in the light of the stock market collapse in October 1987.

These include "circuit-breakers" – restrictions that impose pauses in trading activity after stock price indices have fallen by a certain amount; and increases in the capacity of trading exchanges.

Brokers and other financial institutions have also been encouraged to improve their capital and their financial liquidity, to avert the risk of major collapses in the financial sector as a consequence of a sharp fall in prices.

But regulators acknowledge that these measures will do little to prevent a prolonged stock market fall from damaging the rest of the economy. Preventing that is largely up to the Fed.

Conventional theory suggests a sharp fall in stock prices should have a significant "wealth effect" as companies and consumers find themselves much poorer and adjust their spending accordingly. This effect played a part in turning the Crash of 1929 into the Great Depression of the 1930s.

The need to avert a repeat requires policymakers to cut interest rates aggressively after a correction, to ensure immediate liquidity in the financial system, and to stimulate consumption in the longer term.

Yet when the Fed responded to the 1987 fall by cutting rates sharply it was only much later that official figures suggested the wealth effect had been minimal.

This left monetary policy much looser than it probably should have been and led directly to a resurgence of inflation the next year.

But does that mean the Fed might take a different tack in the event of an early repeat of 1987?

Senior Fed officials are emphatic that they would not.

The risks of financial illiquidity are simply so great that they must always dictate policy in the circumstances, the Fed thinks.

That is what especially worries Mr Greenspan. He knows that he would have no choice but to cut interest rates sharply, a move that may ultimately jeopardise his carefully-crafted monetary strategy designed to contain inflation and promote growth for the next few years.

Gerard Baker

Investors put their trust in bull market

By John Authers in New York

US investors' optimism increased sharply during the second quarter of the year, leaving them with unrealistic expectations for future returns, according to a quarterly survey by Gallup for Paine Webber, the investment bank.

Its index of investor optimism, set at 100 in October last year when the survey started, had reached 119 by the end of June. This was a gain of 32 points since the end of March, when equities appeared to be heading for a correction. Some 80 per cent of American savers said they were optimistic they would achieve their investment goals over the next five years.

Gallup also found small investors intended to continue to put money into stocks, with only 4 per cent saying they would withdraw from the market if their investments did not perform as expected. This apparently contradicts predictions that a sharp downturn in stock prices could be worsened by heavy redemptions of mutual funds by small investors.

However, the survey provides support for the fears of Mr Alan Greenspan, the chairman of the Federal Reserve, that investors might be too exuberant. It found that 32 per cent of investors expected a minimum annual return of 10 per cent, while 18 per cent expected a return of 15 per cent.

There was also evidence of confusion over how investment returns should be judged, with only 1 per cent saying they judged performance by making comparisons with the Dow Jones Industrial Average, the most widely quoted measure of US equities, or with the previous year's performance.

Instead, 27 per cent said they compared returns with other investments in the same category, while 18 per cent compared their returns with the performance of those of other people.

Wide generation differences were revealed by the survey, which involved over 2,600 individuals, all of whom had total savings and investments of at least $10,000.

Only 42 per cent of those in the 45-54 age group – the post-war "baby boomers" who have underpinned the recent heavy flows of cash into pensions and mutual funds – expected to retire by the age of 60. Most investors under 45 expected to do so.

Further, 61 per cent of investors expect to continue to work after 65, and there is heavy opposition to any attempt by employers to impose a mandatory retirement age, with 83 per cent objecting to the idea.

Pessimism about social security was widespread, with only 18 per cent expecting it would provide any significant retirement income.

Women were markedly more pessimistic about the market than men, while wealthier investors were less optimistic than those with smaller savings.

Chileans ponder judge's future

By Imogen Mark in Santiago

Parliamentarians from Chile's biggest party, the ruling Christian Democrats, meet today to decide how to vote in the congressional hearings into the alleged "abandonment of duty" by the president of the Supreme Court.

The Lower House of Congress is due to hear the findings of a congressional commission this Friday and then vote on whether to recommend to the Senate that the judge, Mr Servando Jordan, be removed from office.

Mr Jordan has been accused, on the initiative of one of the opposition parties, of seeking to influence an investigation of links between a fellow judge and drug traffickers. However, Congressman Andres Allamand, who heads the commission, said the probe had wider implications.

"The president has compromised his position not just in one, but in the majority of cases related to drug trafficking and the courts." He was accused, in effect, said Mr Allamand, of protecting drug traffickers.

Mr Jordan appeared before the commission last Friday to present his defence. Pressed repeatedly by the commission on why he had publicly defended his fellow judge, he evaded the question.

The issue has divided Congress along non-party lines and Mr Allamand fears that some congressmen will vote to remove Mr Jordan out of general prejudice against the present Supreme Court and the judiciary.

During the military dictatorship in the 1970s and 1980s senior judges did virtually nothing to prevent systematic abuses of human rights and members of the leftwing parties have held it against them.

But the publicity surrounding the case has helped generate a consensus on the urgent need for reforms. Mr Allamand, himself a lawyer, said: "If I thought before that Chilean justice needed major surgery, now I am absolutely convinced."

There was corruption, in different degrees, at all levels of the system, he said. In their present form the courts offered no defence against the spread of drug trafficking – which up to now has not been a serious problem in Chile. "The administrative and disciplinary procedures of the Supreme Court are so informal as to make them vulnerable to anyone acting in bad faith."

Argentina beats IMF deficit goal

Argentina posted a fiscal deficit in June of $70m, beating by $90m its half-year deficit goal agreed with the International Monetary Fund, Reuter reports from Buenos Aires.

The June deficit compares with shortfalls of $127.5m in May and $51m in June last year.

Mr Pablo Guidotti, Treasury secretary, in an interview in the Ambito Financiero newspaper, expressed confidence that the goal for the second six months would also be achieved. "In the second half of the year, the goals [agreed with the IMF] are equally hard to reach and they will also be met," he said.

Argentina agreed with the IMF fiscal deficit goals of $1.31bn in the first half, $600m in the third quarter and $1bn in the fourth quarter. Taking into account the June figure given by Mr Guidotti, the fiscal deficit in the first half would be about $1.31bn, compared with $2.51bn in the same period of last year.

The deficit news comes a few days after large falls in Argentina's unemployment rate were announced, giving further evidence of the country's rapid recovery from the 1995 recession.

List of losers grows in cash probe

As a US Senate committee probes more deeply into the way money has bought influence in US politics, there are no winners and a lengthening list of losers from the investigation.

The biggest loser in the campaign finance probe may yet be the administration, which could be forced to rethink one of the cornerstones of its foreign policy – engagement with China – if evidence of a Chinese plan to subvert the political process becomes inconvertible. "At the very least, this is going to make it hard for President [Bill] Clinton to hold a summit with China and be photographed with China's leaders," said Professor Michael Mandelbaum, a foreign policy expert.

Prominent Democrats, who were initially sceptical, say they are now convinced that China did conspire to influence the 1996 congressional elections, although they are not so sure about the presidential elections.

The investigation, now moving into its third week, is also bringing considerable embarrassment for both the main political parties – and the attention will shift in the coming days from the Democrats towards the Republicans.

This week's hearings will focus on Mr Haley Barbour, who was chairman of the Republican National Committee between 1993 and 1996, and was among the architects of the party's success in the contest for domination of Congress. He will face hard questioning about the funding from Asian sources of the National Policy Forum, a Republican think-tank which he founded in 1993.

Leading Democrats have said they intend to question him about reports that he secured generous donations from Mr Ambrous Tung Young, a Hong Kong businessman, to the NPF, which was formally separate from the party and therefore exempt from the curbs on foreign funding.

These investigations will serve as a counterpoint to last week's stream of revelations about Mr John Huang, the businessman-cum-political fixer at the centre of the scandal over Democratic fundraising.

No evidence has emerged to link a possible conspiracy by Beijing to Mr Huang's spectacular career: from senior executive with Indonesia's Lippo corporation, which had long-standing connections to Mr Clinton, to Commerce Department official, to fundraiser extraordinary.

But Republicans have accused Mr Huang, whose Democratic party job was arranged with Mr Clinton's help, of an unprecedented blurring of the proper distinctions between government, party and private business. They are questioning whether he should have received a security clearance to work at the Commerce Department and receive frequent intelligence briefings on sensitive aspects of Asia policy.

To judge by the polls, the public is so far unimpressed by the mounting evidence that both parties played fast and loose with laws that prohibit direct campaign contributions from foreign sources. But Mr Charles Lewis, director of the Center for Public Integrity which is monitoring the hearings, said this would change if clear evidence emerged that Mr Clinton or his associates were guilty of abuse of power – by protecting friends or victimising enemies. "It was abuse of power, not the break-in itself, that made the Watergate scandal," he said.

Bruce Clark

INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS

Trade figures are given in billions of European currency units (Ecu). The Ecu exchange rate shows the number of national currency units per Ecu. The nominal effective exchange rate is an index with 1985=100.

UNITED STATES

	Exports	Visible trade balance	Current account balance	Ecu exch. rate	Effective exch. rate
1986	231.0	−140.6	−154.6	0.9636	81.4
1987	220.2	−131.8	−145.0	1.1541	71.9
1988	272.5	−100.2	−108.5	1.1833	67.0
1989	330.2	−99.3	−95.8	1.1017	70.0
1990	309.0	−79.3	−74.3	1.2745	66.7
1991	340.5	−53.5	−7.7	1.2391	65.7
1992	345.9	−65.2	−48.3	1.2957	64.4
1993	397.3	−98.7	−85.4	1.1705	66.3
1994	432.3	−127.0	−125.2	1.1857	65.1
1995	452.3	−122.8	−99.9	1.2928	61.2
1996	499.0	−135.9	−118.3	1.2526	64.4
2nd qtr.1996	126.4	−33.1	−28.8	1.2362	64.6
3rd qtr.1996	122.6	−37.2	−34.0	1.2613	64.4
4th qtr.1996	128.6	−34.6	−29.4	1.2557	65.0
1st qtr.1997	140.6	−38.8	−35.0	1.1713	68.3
June 1996	42.2	−10.6	n.a.	1.2383	64.8
July	40.2	−12.7	n.a.	1.2563	64.6
August	41.5	−11.5	n.a.	1.2688	64.1
September	41.0	−13.0	n.a.	1.2587	64.7
October	42.7	−11.1	n.a.	1.2538	65.0
November	42.9	−10.7	n.a.	1.2706	64.4
December	43.0	−13.0	n.a.	1.2428	65.5
January 1997	43.2	−14.3	n.a.	1.2105	66.7
February	46.9	−13.5	n.a.	1.1587	68.9
March	50.8	−10.9	n.a.	1.1447	69.5
April	50.7	−12.1	n.a.	1.1401	70.4
May	50.1	−13.2	n.a.	1.1444	68.9

JAPAN

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1986	208.9	94.2	87.2	165.11	127.7
1987	194.7	89.7	75.5	166.58	138.8
1988	218.7	79.8	67.0	151.51	153.7
1989	245.5	70.6	53.4	151.87	147.0
1990	220.0	50.0	28.5	183.94	132.5
1991	249.4	77.7	57.4	166.44	143.7
1992	256.6	96.2	86.7	164.05	150.7
1993	300.3	118.6	112.4	130.31	181.0
1994	325.0	121.7	110.5	120.99	194.9
1995	331.1	101.3	85.3	121.43	204.8
1996	319.8	66.6	52.6	136.24	177.7
2nd qtr.1996	81.7	16.3	12.9	132.90	180.8
3rd qtr.1996	78.7	15.7	13.2	137.43	176.9
4th qtr.1996	80.4	17.0	13.1	141.72	171.2
1st qtr.1997	83.3	14.7	13.1	141.82	164.3
June 1996	26.6	6.3	4.6	134.91	178.2
July	26.7	4.6	4.3	137.21	176.8
August	26.6	6.2	6.1	136.84	178.2
September	25.4	4.9	2.8	138.24	175.7
October	27.1	5.5	4.4	140.92	172.2
November	27.1	6.7	4.7	142.64	171.3
December	26.2	4.8	4.1	141.59	170.2
January 1997	28.4	5.9	5.6	142.63	166.5
February	27.6	4.1	4.0	142.52	162.3
March	27.3	4.7	3.5	140.32	163.7
April	30.2	7.1	7.1	143.23	160.2
May	33.0	10.2	9.4	135.92	169.0

GERMANY

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1986	*248.5*	*53.5*	*41.8*	*2.1279*	*108.6*
1987	*254.4*	*56.8*	*40.6*	*2.0710*	*114.9*
1988	*272.6*	*61.4*	*42.4*	*2.0739*	*114.1*
1989	*310.1*	*65.1*	*51.5*	*2.0681*	*113.3*
1990	324.6	51.8	38.3	2.0537	118.1
1991	327.8	11.1	−14.6	2.0480	117.1
1992	330.9	16.8	−15.0	2.0187	120.6
1993	325.2	30.6	−12.1	1.9337	125.3
1994	360.3	37.5	−17.8	1.9198	125.6
1995	405.0	46.7	−18.3	1.8509	132.1
1996	417.6	52.9	−11.1	1.8844	128.6
2nd qtr.1996	101.5	12.0	−2.7	1.8821	128.2
3rd qtr.1996	105.2	15.4	−6.7	1.8884	128.7
4th qtr.1996	107.7	14.3	−1.0	1.9217	127.0
1st qtr.1997	108.5	14.6	−4.4	1.9415	124.8
June 1996	33.1	3.1	−0.4	1.8921	127.8
July	36.1	5.7	−3.2	1.8888	128.5
August	34.7	4.9	−3.2	1.8808	129.2
September	34.4	4.8	−0.3	1.8957	128.3
October	36.2	4.7	−1.2	1.9157	127.3
November	35.8	4.7	0.4	1.9207	127.3
December	35.7	4.8	−0.2	1.9286	126.2
January 1997	35.2	3.2	−5.2	1.9414	125.3
February	36.0	4.9	−0.7	1.9412	124.5
March	37.2	6.4	1.5	1.9418	124.5
April	35.5	4.9	1.4	1.9509	123.9
May				1.9491	123.5

FRANCE

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exch. rate
1986	127.1	0.0	3.0	6.7946	102.7
1987	128.3	−4.6	−3.7	6.9265	102.7
1988	141.9	−4.7	−3.4	7.0354	100.6
1989	162.9	−6.3	−3.6	7.0169	99.6
1990	170.1	−7.2	−7.2	6.9202	103.8
1991	175.4	−4.2	−4.8	6.9643	102.1
1992	182.5	4.5	2.9	6.8420	105.4
1993	179.6	13.3	8.0	6.6281	109.1
1994	198.8	12.9	5.4	6.5659	110.1
1995	222.1	15.9	8.4	6.4480	113.4
1996	230.6	17.6	16.4	6.4068	113.3
2nd qtr.1996	56.2	3.8	2.8	6.3772	113.4
3rd qtr.1996	58.2	5.1	4.9	6.4242	113.2
4th qtr.1996	58.3	4.0	4.8	6.4976	112.5
1st qtr.1997	59.1	4.7	7.6	6.5517	110.9
June 1996	18.5	1.5	0.1	6.4121	113.0
July	19.1	1.6	1.6	6.3965	113.7
August	19.6	2.1	0.6	6.4231	113.2
September	19.5	1.4	2.7	6.4532	112.8
October	18.7	1.8	2.3	6.4770	112.8
November	18.7	1.0	1.0	6.5001	112.6
December	19.9	1.3	1.5	6.5156	111.9
January 1997	19.2	1.6	3.2	6.5512	111.2
February	19.9	1.6	2.9	6.5539	110.6
March	20.0	1.5	1.4	6.5502	110.7
April	20.8	2.4	3.6	6.5715	110.3
May				6.5725	110.0

ITALY

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1986	99.4	−2.5	−1.4	1461.6	101.4
1987	101.0	−7.7	−2.1	1494.3	101.1
1988	108.3	−8.9	−8.0	1536.8	97.7
1989	127.8	−11.3	−17.0	1509.2	98.6
1990	133.6	−9.3	−18.0	1523.2	100.1
1991	137.0	−10.5	−17.7	1531.3	98.7
1992	137.9	−8.0	−21.5	1591.5	95.6
1993	144.9	18.1	9.7	1836.7	80.5
1994	161.4	18.8	13.1	1908.6	77.0
1995	181.0	21.6	21.7	2106.4	69.4
1996	200.3	35.0	33.5	1932.1	75.8
2nd qtr.1996	51.6	9.8	8.9	1922.3	75.9
3rd qtr.1996	47.6	11.3	11.4	1918.4	76.7
4th qtr.1996	53.4	9.2	8.2	1911.2	77.6
1st qtr.1997	47.2	5.1	−7.1	1917.8	77.0
June 1996	17.4	3.7	3.4	1909.8	76.8
July	19.7	6.3	6.8	1918.1	76.6
August	11.9	3.5	3.8	1923.8	76.4
September	16.0	1.4	0.8	1913.2	77.0
October	19.1	4.0	4.0	1911.4	77.5
November	17.1	3.0	3.0	1922.6	77.2
December	17.2	2.2	1.2	1899.5	78.1
January 1997	14.3	0.9	−3.9	1896.7	78.2
February	16.0	2.0	−1.3	1918.8	76.8
March	16.9	2.3	−1.9	1937.9	75.9
April	17.8	2.1	1.1	1931.6	76.3
May				1925.6	76.3

UNITED KINGDOM

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1986	108.3	−14.2	−1.3	0.6708	91.1
1987	112.3	−16.4	−6.8	0.7047	89.3
1988	120.9	−32.3	−24.8	0.6643	94.7
1989	137.0	−38.7	−33.3	0.6728	91.9
1990	142.3	−26.3	−26.2	0.7150	89.8
1991	147.7	−14.7	−11.4	0.7002	90.5
1992	145.8	−17.8	−13.8	0.7359	87.1
1993	156.0	−17.3	−13.8	0.7780	79.9
1994	174.1	−14.0	−3.1	0.7736	80.1
1995	186.9	−14.1	−4.5	0.8190	76.2
1996	207.2	−15.7	−0.0	0.8028	77.5
2nd qtr.1996	51.3	−3.8	0.9	0.8113	76.1
3rd qtr.1996	51.4	−3.9	−0.5	0.8113	76.8
4th qtr.1996	54.9	−3.4	0.7	0.7670	82.1
1st qtr.1997	58.4	−2.9	2.0	0.7186	87.0
June 1996	17.2	−1.1	n.a.	0.8031	77.2
July	17.2	−1.6	n.a.	0.8085	77.0
August	16.9	−0.9	n.a.	0.8185	76.1
September	17.3	−1.4	n.a.	0.8070	77.4
October	18.2	−0.9	n.a.	0.7904	79.4
November	18.1	−1.3	n.a.	0.7642	82.6
December	18.6	−1.2	n.a.	0.7465	84.4
January 1997	19.6	−0.8	n.a.	0.7298	86.2
February	19.6	−1.1	n.a.	0.7132	87.5
March	19.1	−0.9	n.a.	0.7127	87.5
April	21.0	−1.4	n.a.	0.6997	89.4
May			n.a.	0.7006	89.0

Due to the introduction of the Single Market, EC countries are currently changing to a new system of compiling trade statistics. All trade figures are seasonally adjusted, except for the Italian series and the German current account. Imports can be derived by subtracting the visible trade balance from exports. Export and import data are calculated on the FOB (free on board) basis, except for German and Italian imports which use the CIF method (including carriage, insurance and freight charges). German data up to and including June 1990, shown in italics, refer to the former West Germany. The nominal effective exchange rates are period averages of Bank of England trade-weighted indices. Data supplied by Datastream and WEFA from national government and central bank sources.

Angry fishermen blockade ferry in salmon poaching dispute with Alaskans

Canadians step up sockeye protest

By Scott Morrison in Vancouver

The salmon dispute between Canada and the US has escalated with up to 100 Canadian fishing boats blockading a US ferry in northern British Columbia in protest at aggressive harvesting by the Alaskan fleet. The protestors, who faced police action yesterday, were responding to reports that Alaskan fishermen had caught up to 350,000 sockeye salmon so far this season, at least three times their usual amount.

The blockade puts pressure on US authorities as well as on the Canadian government, which British Columbia accuses of failing to protect the interests of Canada's west coast fishing industry. The perception was heightened after US authorities quickly obtained a Canadian federal court injunction to release the ferry.

Alaskan fishermen say they caught Canada-bound sockeye by accident while harvesting other salmon species. But British Columbia officials have repeatedly maintained that Alaskan fishermen deliberately target the more valuable sockeye stocks. The blockade was the latest stand-off between the two countries that have been jousting to reach an agreement to divide the C$400m Pacific northwest salmon harvest since quotas lapsed in 1992. Talks to establish quotas broke down last month with each side blaming the other for failing to make the necessary concessions to divide the harvest equitably while conserving stocks.

Mr Glen Clark, the outspoken provincial premier, yesterday met federal officials to push Ottawa to take tougher steps against the US. Mr Clark, who has threatened to cancel a provincial lease for an underwater military testing range frequented by US submarines, also appealled to President Bill Clinton to resolve the dispute.

Canadian authorities have seized at least two US trawlers caught fishing in Canadian waters in the Juan de Fuca Strait, a narrow channel between the two countries through which sockeye salmon arrive to spawn in southern British Columbia rivers. The federal government, however, has cautioned that more serious retaliatory measures could further inflame tensions and lead to a drastic US economic counterattack.

Banana growers fear bleak future

Canute James on Caribbean reaction to the EU-US trade dispute

For as long as he can remember in his 30 years, only one thing has made economic sense to Gregory Cyril and the people of Bexon District on the western slopes of St Lucia. "We have always grown bananas. It is the only thing which we know how to grow, and there is nothing else which can provide us with a livelihood."

Mr Cyril confessed ignorance of the World Trade Organisation which yesterday heard an appeal by the European Union against its ruling that aspects of the EU banana import regime which favour farmers like himself in St Lucia and elsewhere in the Caribbean. The WTO criticised the EU's distribution of licences for Latin American bananas to European ripening houses.

Mr Cyril was also unaware that 15 Caribbean leaders recently failed to get US president Bill Clinton to curb US attacks on the EU regime. "I heard that we may lose the market," he said, getting ready to remove weeds from among banana trees. "I do not see how we can survive if that ever happens."

Mr Cyril's concerns are shared by the island's 140,000 people, and by those of neighbouring islands in the Windwards group of the eastern Caribbean. If the EU preferences are changed to favour other exporters such as those in Latin America, the islands say there will be social and economic chaos. However such arguments have not moderated the criticism from the US and several Latin American banana exporters, who contend that the EU preferences are discriminatory and contravene the rules of fair trade. St Lucia and the other three Windward Islands (Dominica, Grenada and St Vincent) are the source of about two of every three bananas consumed in Britain. Bananas account for half the Windward Islands' export earnings and 17 per cent of gross domestic product.

The fruit supports one of the strongest currencies in the region and provides thousands of jobs in labour surplus economies.

However, Windward Islands bananas are not price competitive. The 16 acres worked by Mr Cyril's family are in three separate farms. Windward Islands farms are small, and often on hilly terrain. Production costs are about one third higher than those of the large plantations of Latin America, spread over thousands of acres of more favourable terrain.

Farmhands in the Windward islands are paid "decent" wages, say government officials, implying that Latin producers benefit from low farm wages. "All these might be factors of production which benefit Latin American producers," conceded one Central American envoy to the Caribbean. The Caribbean governments support a free market when it is convenient, and ask for special privileges when they want an advantage. They cannot have it both ways."

The threat to the region's preferential market is not new, and the governments of the banana producing islands have been told repeatedly that they should encourage farmers to diversify. The EU has allocated $165m to assist the region's efforts to diversify its agriculture. "The plan will result in the establishment of a core group of efficient banana growers able to compete in liberalised markets by the year 2002, while offering economic alternatives to cushion social hardships for those who will leave the sector," said Mr George Gwyer, head of the EU delegation to Barbados and the eastern Caribbean.

"What can we produce instead of bananas," was Mr Cyril's exasperated response. "If we were to produce tomatoes and potatoes, who would buy them, and would we be able to sell enough to make the kind of living we do from bananas? "When a hurricane blows the bananas down, they are up and producing fruit in nine months. What other crop can do that? We do not know the technology of these other plants."

The Caribbean Banana Producers Association suggests that the row over the region's access to the EU market has assumed proportions far beyond its importance to the world market. The Caribbean producers (Belize, the Windward Islands, Jamaica and Suriname) account for 7 per cent of the EU market, it said. "We are hard working people trying to make a living the best we can," said Mr Cyril. "We should be left alone to make our honest living. For us, there is nothing but bananas."

WTO hears appeal against ruling

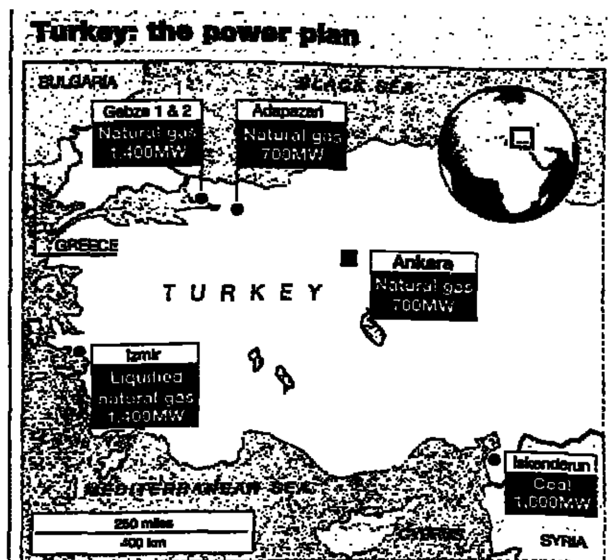
By Frances Williams in Geneva

The World Trade Organisation's appeals body today concludes two days of hearings in which the EU is contesting a WTO ruling that its banana import regime flouts fair trade rules. The three appeals body members are to hand down their judgment in September. In May the WTO upheld a complaint by the US, Ecuador, Guatemala, Honduras and Mexico that the EU was discriminating against their producers and banana marketing companies.

The complex system, introduced in 1993, grants privileged access to bananas from African, Caribbean and Pacific (ACP) countries under the Lomé Convention. Caribbean states say their *banana-dependent economies* will be devastated if the ruling is allowed to stand.

The ruling did not take issue with duty-free preferences for ACP countries which are covered by a WTO waiver granted in 1994. But it did find fault with various aspects of the licensing system under which import quotas are allocated.

If the appeals body endorses the ruling, as most trade experts believe, the EU must comply with the verdict, offer compensation for trade losses or face WTO-authorised trade sanctions. Washington says the EU regime has cost its banana marketing companies, Chiquita and Dole, half their European sales.



Turkey power plant go-ahead

By John Barham in Ankara

Turkey's parliament has passed legislation which officials are confident will remove legal obstacles blocking a plan for five new power stations worth about $4bn, to be financed, built and operated by private companies.

The legislation was originally issued as a government decree last year but was struck down in February by Turkey's supreme court. The court froze tenders by energy companies such as Mobil, the Brussels-based Unit International, and National Power of the UK.

Mr Mustafa Vuruşkaner, deputy under-secretary, energy ministry, said yesterday: "The law will solve the [legal] problem. Probably by the end of this week we will draft [implementing] regulations. Then we will finalise the evaluation of bids; by the end of August, the contracts will be signed".

This is the latest twist in a process lasting over 10 years since Turkey announced the world's first build-operate-transfer (BOT) law to attract private finance for public infrastructure projects. This allows a developer to build and operate a project long enough to cover construction costs and turn a profit, before turning it over to the state.

But persistent legal challenges prevented widespread use of BOT finance. Opponents argued Turkey's constitution requires local courts to monitor BOT projects. International lenders refuse to back projects subject to intervention by Turkish courts.

The threat of growing power shortages last year forced ministers to attempt to short-circuit legal objections. They introduced a decree modifying the BOT law by no longer requiring investors to transfer their assets to the state.

The government accepted bids for five build-operate (BO) projects totalling 5,200MW capacity, to be built as quickly as possible at sites designated by the energy ministry.

It also stipulated the fuel to be used and each station's generating capacity. The government's Teaş electricity company would buy their power, and the state-owned Botaş pipeline company would supply natural gas for three of the five plants.

The supreme court frustrated government efforts by ruling the BO decree was invalid because it modified parliamentary legislation, which can only be amended by parliament. Political upheaval, culminating in last month's collapse of the coalition that drafted the new law, held up approval of the legislation until now.

Israel hits at trade pact

By Frances Williams in Geneva

Israel has criticised a free trade deal between the EU and the Palestinian Authority saying the deal does not comply with the Middle East peace accords.

The free trade agreement, which came into force at the beginning of this month, offers reduced tariffs for Palestinian exports to the EU and enhanced economic co-operation ahead of the EU-inspired creation of a Euro-Mediterranean free trade zone by 2010.

Mr Yair Shiran, Israel's representative to the WTO, told the WTO's council on trade in goods his country had reservations on the deal itself and the decision to send it for WTO review. However, Israel refrained from blocking the council's decision referring the accord to the committee on regional trade arrangements.

Israeli officials said the EU-Palestinian agreement appeared inconsistent with the Oslo peace accords, notably the pact signed in Washington in September 1995 which, according to Israel, does not permit the Palestinian Authority to enter independent trade agreements.

In addition, Israeli officials say, the accord with the EU treats the Palestinian-controlled territories in the West Bank and Gaza Strip as a separate trade entity. This breaches another protocol to the Washington accords which stipulates a "single customs envelope" for Israel and the self-rule areas. Israel already has a free trade pact with the EU.

Finally, Israel thinks the agreement should not have been brought to the WTO because notified free trade accords should relate, under WTO rules, to deals between customs territories with a significant degree of autonomy. The self-rule areas do not conform with that definition, Israel says.

Peace move, Page 7

Liquidity tightened in Hong Kong

By Louise Lucas in Hong Kong

Jitters in Hong Kong foreign exchange markets forced the Hong Kong Monetary Authority (HKMA) to intervene to tighten up liquidity yesterday, pushing up interest rates in the interbank market, market traders said.

However, they remained convinced the Hong Kong dollar would not not succumb to speculative attack.

The HKMA, Hong Kong's de facto central bank, does not comment on any currency intervention, but traders said they thought it was active yesterday. "It's sending the right signal," said Mr Andrew Fung, treasurer (Hong Kong) at Commonwealth Bank of Australia.

He said it would be difficult to win in any speculation against the Hong Kong dollar, given the US$200bn combined reserves in the territory and China, which was committed to the Hong Kong currency peg.

Traders say in addition to hefty reserves, Hong Kong is in a different position from southeast Asian economies, where currencies been under attack: it has more sophisticated financial infrastructure and is economically more sound.

Moreover, as the currency peg is seen as a benchmark of stability in the new post-colonial era, there is a perceived political will to defend it. China resumed sovereignty over Hong Kong at the beginning of this month.

The calm in Hong Kong dollar markets compared with other Southeast Asian currencies has prompted some fund inflow. According to Mr Michael Powell, deputy treasurer at HSBC Markets: "Hong Kong dollar paper and China bonds (US dollar denominated) have had almost safe haven status for any funds looking to invest in Asian equity or bond markets."

■ Hong Kong's democracy movement yesterday called on the governments in the former colony and China to rethink the policy of exempting the Peoples' Liberation Army from frontier controls.

Party leader Martin Lee said there had been many reports of the PLA in China being involved in smuggling drugs and arms.

Currencies, Page 23

IMF upbeat over currency crises

By Justin Marozzi in Manila and Gerard Baker in Washington

The continuing financial problems in emerging Asian economies are much less serious than those that struck Mexico in 1994, a senior official of the International Monetary Fund said yesterday.

Mr Stanley Fischer, the Fund's deputy managing director, said rapid rates of economic growth in Thailand and other countries caught up in the regional currency crisis in the last few weeks meant they were much better able to withstand their financial and current account pressures than Mexico had been.

"We don't see the underlying adjustment that needs to be made in any of these economies anywhere like what had to be done in Mexico," he said, in the first official comments by a senior representative of the Fund on the crisis.

Reducing current account deficits, the key to restoring financial stability in the region, would be far less difficult for Asian countries because of their strong growth rates. Mexico had never enjoyed such strong rates of growth and so reducing its deficit required a "really massive recession", he added.

But Mr Fischer warned Thailand to act much more quickly and decisively on fiscal and financial sector measures to contain the current problems.

He said Bangkok seemed to be content to devise its own economic plan for recovery without IMF support. "We haven't had a clear indication that they want to enter into negotiation," he said.

Mr Fischer had high praise for the Philippine authorities for their swift response in defending the peso in the wake of the sharp depreciation of the Thai baht in the last month.

Yesterday the first use by the IMF of emergency measures designed to respond to global financial crises seemed to have helped restore calm to the peso. Within one week of requesting assistance, the Philippines received the go-ahead from the Fund to draw on $1.1bn of credit to shore up its international reserves of $10bn, following a defence of the peso which cost it at least $1bn in less than two weeks.

The IMF strongly supported the decision by the central bank in Manila on July 10 to let the peso move within a wider band against the dollar, following the collapse of the Thai baht.

The peso fell by as much as 12 per cent, but it was solid yesterday at 28 to the dollar after opening at 28.4.

"The worst is over on the speculative attack on the peso and we will see the peso gradually begin to stabilise in the range of 27.5 to 28.5," said Mr Raul Concepcion, president of the Federation of Philippine Industries.

The assistance from the IMF, which agreed to the country's request to draw on its extended fund facility in addition to offering another credit of $435m, is the first time it has used special procedures of the Emergency Financing Mechanism drawn up in late 1995 in the aftermath of the Mexico financial crisis to provide a rapid response to external shocks on the world markets.

The IMF said that although the Philippines' macroeconomic programme had remained broadly on track in the first quarter, "increasing turbulence in the foreign exchange market, slippages in fiscal performance and a delay in the passage of proposed tax reforms," had emerged as serious challenges in the second quarter.

The country had been about to graduate from IMF tutelage at the end of last month but failed to pass the remaining portion of the administration's comprehensive tax reform legislation, the last criterion of the fund's three-year programme.

Anwar rises above cartoon image

Malaysia's acting PM has proved a worthy apprentice to Mahathir, writes James Kynge

Detractors say that the trouble with Mr Anwar Ibrahim, who today completes two months as Malaysia's acting prime minister, is that he wears his scholarship on his sleeve.

When he took over, as Dr Mahathir Mohamad, the prime minister, went on a working holiday overseas – from which he returns today – there was some gentle anti-Anwar sniping in the press. One cartoon satirised his predeliction for quoting everyone from Confucius to de Tocqueville by depicting his office full of researchers assiduously looking up quotes.

But now the cartoonists have changed their tune. They drew him last week manfully dispatching the affairs of state and a newspaper article noted how he has coped well over the past two months with four times his usual workload.

The shifting sentiment reflects what is becoming an accepted truth: that Mr Anwar, who since 1993 has been the understudy who remained little understood, has proved himself a worthy apprentice for the premiership. The issues of when and how he succeeds to the top job remain opaque, but the past two months have made it more likely he will one day take on the mantle of Dr Mahathir, who at 71 has been prime minister for 16 years.

Observers said Mr Anwar's biggest achievement over the past two months has been an ability to appear loyal to Dr Mahathir while making his individual mark. Dr Mahathir undoubtedly sanctioned a wide-ranging crackdown on corruption, but it was Mr Anwar who pursued it with a vigour few had expected.

The fact that he has presided over such a crackdown, in which many senior heads (including that of a deputy minister) have rolled, also suggests he commands considerable support in the dominant party, the United Malays National Organisation (Umno).

Although Mr Anwar, who is also finance minister, admits he is more at home with the arts than with figures, businessmen who attended a recent meeting to canvass opinions before the October budget were impressed.

"He listened carefully to many different points of view, replied succinctly, and did not make promises he could not keep," said a foreign businessman with years of experience in Malaysia. "It was a genuinely impressive performance."

In the diplomatic arena, he took an important step toward repairing strained ties with neighbouring Singapore. He dispatched Mr Ahmad Zahid Hamidi, chairman of the youth wing of Umno, to the city-state to apologise to Mr Lee Kuan Yew, the former prime minister and now senior minister in the cabinet. The youth wing had called Mr Lee "senile" in an anti-Singaporean rally.

Mr Anwar also helped the ruling National Front coalition win three by-elections at the end of May. He stripped the national news agency, Bernama, of the right to distribute foreign news, in a move which some said would allow information to flow more freely.

He kept the common touch by touring fruit markets and factories but made speeches on theoretical matters close to his heart, such as an "Asian Renaissance" which he sees as having an essentially religious character.

Given the strength of Mr Anwar's caretaking performance, interest in the perennial question of whether Dr Mahathir may resign has been rekindled. His term of office runs until 1999 but some think that the way he elevated Mr Anwar to acting prime minister, acting home minister and acting Umno president ahead of his overseas vacation may portend some fundamental changes.

While he has appointed an acting prime minister during overseas trips before, he has never named anyone to be acting Umno president – the position from which the premiership springs.

But would a generational change in leadership mean changes to Malaysian economics or politics? By and large, Mr Anwar has over the past two months reinforced perceptions that he has several beliefs which differ from those of his mentor and rival, Dr Mahathir.

He does not share the extent of Dr Mahathir's enthusiasm for grandiose economic gestures, as was clear from his unprovoked comments last week on problems with the huge Bakun dam, one of Dr Mahathir's pet projects.

More than the prime minister, he has repeatedly emphasised the need to support poor people.

An unusual number of public arguments between ministers and other senior officials over the past two months may suggest that Mr Anwar is serious about his pledge to bring greater transparency and media freedom to the country.

Even, presumably, if this means a few more unpleasant cartoons.

Anwar: commands considerable support *Tony Andrews*

ASIA-PACIFIC NEWS DIGEST

US digs in on Cambodia

The planned elevation of Mr Ung Huot to Cambodia's first prime minister would not be recognised by Washington, Mr Stephen Solarz, US special envoy, said yesterday. The US was concerned the decision to promote the current foreign minister would not be an expression of the National Assembly's free will because so many legislators had fled or stayed abroad, he declared.

Mr Hun Sen, leader of the formerly communist Cambodian People's party, has tried to deflect international distress over his coup a fortnight ago by promising to retain the constitution, the assembly and the monarchy. But most observers think the rump of the defeated royalist Funcinpec party will only be permitted to play a subservient role to the CPP, albeit keeping the nominal position of first co-premier up until elections in May next year.

Human rights group believe 20 opponents of the CPP were killed after the coup, and 20 Funcinpec MPs were forced to flee abroad. Yesterday, signs of resistance to Mr Hun Sen emerged. Forces loyal to Prince Ranariddh claimed to have recaptured Sam Rong, a stronghold near the Thai border. *William Barnes, Bangkok*

■ THAILAND ECONOMY

Slowdown may have ended

Thailand's economic slowdown may have reached bottom and signs are some sectors are recovering, Mr Thanong Bidaya, finance minister, has said. Economic growth of about 4 per cent this year would be better than in some other countries, he added, on his return from Japan. "The slower economic growth of around 4 per cent from 6.7 per cent last year is acceptable; we want stability with the economic growth."

Mr Thanong reiterated that he and Mr Rerngchai Marakanond, Bank of Thailand governor, had not asked for financial support from Japan. He had sought co-operation in restructuring short-term loans into long-term liabilities to ease the debt burden of Thai businesses, he explained.

About half of the $65bn of mostly unhedged private foreign borrowings is believed to be owed to Japanese bankers who may be encouraged by their government to deal gently with Thai-based clients badly bruised by this month's surprise flotation, and 15 per cent slide, of the baht.

Japan and Thailand had agreed to co-operate in seeking stability in the foreign exchange markets - including intervention to help the baht if it comes under sustained attack again.

"Stability of the baht is vital, not only to the Thai economy but to other economies in the region," the finance minister added. *William Barnes, Bangkok*

■ SINGAPORE TRADE

On course for 5-7% growth

Singapore yesterday announced better-than-expected trade figures for last month. A senior official said the city-state was on course to achieve trade growth of 5-7 per cent for the full year, against first-half growth of 1.4 per cent. Singapore recorded an 8.8 per cent increase in non-oil exports in June, better than the 6 per cent predicted in a poll of a cross-section of economic analysts.

More significant was a statement from the government's Trade Development Board forecasting global demand for electronics goods, accounting for about 70 per cent of Singapore's exports by value, appears to be staging a sustained recovery. "But competition in the industry is likely to intensify," the government board added, "exerting downward pressure on prices of key electronic products, resulting in a squeeze in profit margins."

For example, the prices of 16-megabit dynamic random access memory chips had fallen 29 per cent since March this year.

Overall, the board foresaw a 10 per cent growth in trade in the second half of the year, bringing the year's total to 5-7 per cent. *James Kynge, Kuala Lumpur*

Taiwan politicians jockey for position

A succession struggle will follow President Lee's decision to quit

Taiwan's president, Mr Lee Teng-hui, yesterday told the closing session of the country's National Assembly that the government would reshuffle the cabinet to consolidate the recent constitutional reforms which serve as a symbolic step toward Taiwanese independence of China.

After controversial constitutional reforms disbanding the provincial government were approved by the assembly last week, the "appropriate" time for the promised resignation of premier Mr Lien Chan and partial cabinet changes had arrived, Mr Lee said. The moves are expected to take place in late August.

Mr Lien is tipped to be replaced by Mr Vincent Siew, who has previously held the ministerial portfolios of economic planning and China affairs.

The National Assembly's historic vote to shrink the operations of the provincial government intensifies jockeying for position among contenders for the presidency in elections due in 2000. The reform is also a victory for those who seek to undermine the power of Mr James Soong, the ambitious provincial governor and a strong presidential contender.

Ten years after the lifting of martial law and the end of dynastic rule by the Chiang family, newly democratic Taiwan is jettisoning pretences of its longstanding claim to represent all of China – a claim symbolised by the provincial government. Generalissimo Chiang Kai-shek led his Nationalist Chinese government into exile on Taiwan in 1949 after losing a civil war to Mao Zedong's communists.

This week's constitutional changes illustrate that the concept of Taiwanese nationhood is quickly displacing the notion that Taiwan is merely a province of China, as long claimed by both Taipei and Beijing.

President Lee Teng-hui, who won a landslide victory in the country's first democratic presidential elections in March 1996, has said he will not run next time, clearing the path for a succession struggle among the next generation of politicians.

The country's first native-born leader is preparing Mr Lien, who is also vice-president, to take his place, but the rich and well-groomed Mr Lien is not as popular as either Mr Soong or Mr Chen Shui-bian, the charismatic Taipei mayor. After his resignation as premier, Mr Lien will retain his vice-presidential post.

Despite Mr Soong's positive image, his virulent opposition to the scrapping of the provincial government has put him at odds with President Lee and his ruling Nationalist party, substantially weakening his chances of securing the presidency.

Without the backing of the wealthy Nationalist party and its well oiled political machine, the 55-year-old Mr Soong's efforts to master the difficult Taiwanese dialect will not compensate for the fact that he was born in mainland China – a severe disadvantage at the ballot box in modern Taiwan politics.

Mr Chen has almost single-handedly changed the public perception of his leading opposition Democratic Progressive party (DPP) since his election as Taipei mayor in December 1994. Previously the DPP was widely regarded as brimming with bright ideas and enthusiasm but lacking in administrative ability.

Mr Chen made his reputation as a sharp-tongued legislator ferreting out corruption before taking over the helm of the country's capital. Now he has gained residents' respect by sorting out the city's notorious traffic and rubbish disposal problems – and keeping quiet on his party's advocacy of Taiwanese independence.

China, which regards Taiwan as a renegade Chinese province over which it intends eventually to regain control, threatens to use force against Taiwan should it openly declare independence. In the past this has frightened voters from backing DPP candidates.

The mayor has yet to say whether he will run for the presidency in the 2000 elections. But his relative youth – he is 46 in a society where kingmakers are mostly in their 70s – makes it difficult to predict whether he would emerge victorious in a showdown with Mr Lien, who turns 61 next month. But he is the Taiwanese politician with the brightest future.

Laura Tyson

Currency fears and fuel price rises hit Burma

By William Barnes in Bangkok

Burmese petrol prices and bus fares have soared only days after the kyat, the country's currency, fell sharply on rumours that the military junta would declare several denominations of bank notes invalid.

Official petrol prices were raised yesterday more than seven times and the cost of bus tickets went up tenfold.

The moves come after the kyat fell to Kt300 to the dollar on the officially-sanctioned currency black market last week. The rate had been Kt210 the week before and Kt180 two months ago.

A sharp rise in prices and the scrapping of popular denominations of paper money helped fuel the mass protests in 1988 that were bloodily suppressed.

Inflation has taken off over the past year, with many Rangoon-based analysts believing that the government was printing money to purchase dollars on the open market, fuelling inflation and contributing to the fall in the kyat. The IMF reported at the end of last year that Burmese foreign-exchange reserves were at their lowest level since economic reforms were instituted in 1992.

The jump in prices at official petrol stations from Kt25 to Kt180 a gallon may have been partly designed to curb a vigorous black market. Car owners will be able to obtain more petrol at the new price, after being rationed to two gallons a week at the old price. But officials who had padded out their low fixed incomes by selling their petrol rations in the black market will be hit.

Bus operators will also suffer since they previously obtained fuel at the low official price. Last Wednesday trading in the kyat was stopped for a few hours and several currency traders were temporarily detained after the regime had accused "subversionists" of spreading rumours that the authorities were about to invalidate some denominations of banknote.

In September 1987 the government infuriated the population when it demonetised, without compensation, 80 per cent of the note money in circulation.

"People are terrified that their savings will disappear again ... The regime has lied so often in the past," said Dr Myint Kyo, a member of the government in exile.

Although the kyat strengthened to over Kt200 to the dollar after the official "intervention", the population remains wary of vigorous official denials of any plans to cancel notes.

NEWS: INTERNATIONAL

Arafat to meet Levy in bid to restart talks

By Judy Dempsey in Jerusalem

Mr Yassir Arafat, Palestinian leader, and Mr David Levy, the Israeli foreign minister, are expected to meet today in Brussels in a bid to restart the peace talks suspended since March when Israel started building a new Jewish settlement in east Jerusalem.

The European Union said the two men would meet EU foreign ministers, signalling an attempt by the EU to play a greater role in the Middle East negotiations.

The announcement follows a round of shuttle diplomacy to the region last week by Mr Miguel Angel Moratinos, the EU's special Middle East envoy.

Mr Moratinos, who has cultivated a close relationship with Mr Levy and Mr Arafat, is seen by both sides as an important mediator.

The Palestinians have lost confidence in the US, particularly Washington's consistent policy of voting against United Nations resolutions condemning the building of new Jewish settlements in the West Bank or Jerusalem.

But the EU has also hardened its language in recent weeks.

In a statement adopted at the Amsterdam summit last month, for the first time th EU urged Israel to consider allowing the creation of a Palestinian state.

The planned meeting in Brussels comes in the wake of a talks between Mr Yitzhak Mordechai, the Israeli defence minister, and Mr Nabil Shaath, who has replaced Mr Saeb Erekat as the chief Palestinian negotiator.

But it also follows tensions within the Palestinian Authority over how far it can and should go in cracking down on terrorism.

This is one the central demands of the Israeli government for restarting the talks – although Israel has yet to make any concessions over a wide range of outstanding issues covered in the Oslo Peace Accords.

These include establishing a safe corridor between Gaza and the West Bank; opening an air and sea port in Gaza; and releasing political prisoners.

At the weekend, Mr Arafat ordered the arrest of senior police officers who had allegedly colluded in attacking Jewish settlers.

In an even more significant move, a cell organised by Hamas, the Islamic Resistance Movement which opposes the Oslo Accords, was uncovered by the Palestinian security forces on Sunday night.

Palestinian analysts think Mr Arafat is concerned that Hamas could strike at Israeli targets.

More importantly, they say the Palestinian leader is worried that the violence in the West Bank could get out of control and pose a challenge to his authority if his security forces did not rein Hamas in.

Liberian warlord heads for poll victory

Ballot set to hand power to Taylor where the bullet has failed

Eight years after sending a small band of Libyan-trained guerillas to launch Liberia's devastating civil war, Mr Charles Taylor, the civil servant-turned-warlord, was yesterday emerging as victor in a presidential election which many hope will end the violence.

Provisional results gave Mr Taylor up to 66 per cent of the vote. His main rival, Mrs Ellen Johnson-Sirleaf, a former finance minister and senior official of the United Nations Development Programme, was heading for around 18 per cent.

Mr Taylor's participation in the election marks the latest stage in his transformation from leader of an armed faction – largely comprising teenagers who terrorised the Liberian population – to an elected head of state.

His commitment to democracy has always been questionable. In his first interview four months after launching the civil war, he made it clear that if he was victorious, he would not feel inclined to hand over power.

"I won't be a candidate in a civilian election, but I may not feel comfortable leaving the job to somebody else," he said.

Nevertheless, yesterday's results suggested that he was on the way to assuming the job, which ultimately he had failed to secure by way of a notoriously brutal war.

The son of a judge, Mr Taylor, 49, not only performed a political somersault by using the ballot box to take power. At points along his tortuous path to Monrovia's Israeli-built presidential Executive Mansion, he transformed his view of himself from "non-smoking, non-drinking Baptist," to "child of the Sixties". He

> Mr Taylor's democratic credentials are shaky, and few can say what he believes in

now compares himself with Mr Tony Blair, the British prime minister, and US President Bill Clinton. By contrast, at the outbreak of the war, it was Richard Nixon and "Good Old Ronny [Reagan]" who were his political heroes.

Whatever his politics, the most remarkable aspect of Mr Taylor's character is that he appears to have been left personally unaffected by the carnage in the midst of which he has lived.

The war, which left 150,000 dead and the country in ruin, was launched to rid Liberia of Samuel Doe. The former leader had seized power in a bloody 1980 army coup, which ended 133 years of rule by Americo-Liberians – descendants of former US slaves. In Liberia they formed an upper class, imposing a system of forced labour upon the indigenous population.

Doe put an end to that, but imposed his own system of misrule, based on violence, corruption, murder and theft, bolstered for 10 years by $500m in US military and financial assistance.

Doe was captured and killed in 1990 by a rival faction which had broken away from Mr Taylor's National Patriotic Front of Liberia (NPFL). Doe's departure – which had been Mr Taylor's declared aim – did not end the war, however, and it became clear that Mr Taylor was not merely pursuing the end of Doe's dictatorship.

Mr Taylor, who is part Americo-Liberian and part native Liberian, served briefly as a minister under Doe. He fled the country in 1984 accused of embezzlement and began planning the war, ending up in Libya where he trained 168 Liberians who formed the core of his fighting force.

The momentum of the violence rapidly became unstoppable. Mr Taylor's forces, like Doe's, targeted civilians and, in the NPFL's case, American nuns, Nigerians and members of Doe's Krahn tribe.

Democratic convert: Taylor votes in Liberia's first election in 12 years — Reuter

After a Taylor-inspired orgy of violence in Monrovia last year, 400 bodies were buried, many of them headless. Civilians became the main victims, and the country became a graveyard. But Mr Taylor persisted in his attempts to seize power, refusing to accept the results of peace accords signed with a burgeoning number of factions, seven of which emerged during the war.

Mr Taylor's acceptance of yesterday's ballot is dependent upon him winning, which he appears likely to do – despite his opponents' doubts about the ballot procedures. Liberians – 1.5m of whom are either displaced or refugees and have not registered to vote – are exhausted by war. The country, Africa's oldest republic, wants to return to its earlier stability and appears to have voted Mr Taylor into power in the hope of achieving calm.

But is Charles Taylor the person to oversee the return to stability? Mr Taylor's democratic credentials are shaky, and few can really say what he believes in.

His honeymoon is likely to be short, as his numerous enemies plot against him and the army which he leads. But he will use his charm, articulateness and determination to stay in power to try and heal Liberia's wounds.

If these qualities do not work, then he has already shown himself ready to use other tactics.

Mark Huband

Moi divides his opponents

By Michela Wrong in Nairobi

Kenya's pro-reform movement, which has mounted the most serious political challenge to the government in five years, was yesterday in danger of splintering over President Daniel Arap Moi's apparent U-turn on constitutional reform.

Members of the movement which launched the campaign to redraft a constitution giving Mr Moi in-built advantages in future elections failed to agree over the best response to the new conciliatory stance adopted by the president after a fortnight of violent street unrest.

At a packed news conference, members of the National Convention Executive Council (NCEC), the broad-based umbrella movement that has so far co-ordinated events, attacked individual opposition leaders who had accepted an invitation to discuss reform with Mr Moi at State House later this week.

NCEC members including Dr Richard Leakey, the palaeontologist-turned-campaigner, Mr Koigi Wa Wamwere, Kenya's most well known political dissident, and Sheikh Khalid Balala, a radical Moslem preacher, dismissed these "piecemeal negotiations" as a presidential attempt to "emasculate" the movement.

"The NCEC has not been invited to State House," said Mr Kivutha Kibuana, an attorney. While rejecting State House as a venue for talks, he added: "We are ready to go and we are looking forward to an invitation from the government so we can engage in real dialogue."

Members pledged to continue with their programme for mass action, which includes a rally in the coastal port of Mombasa on Saturday and a national strike, until their demands were met.

The pro-reform movement has been in disarray since the ruling Kanu party promised last Thursday to set up a commission to discuss constitutional changes and pass a bill in the current parliament repealing colonial era laws.

Sceptics believe Mr Moi, alarmed by the strength of domestic resistance and western complaints over brutal police methods, is playing a skilful game of divide-and-rule. But some veteran players are showing signs of being willing to deal with the president, despite his repeated failure to live up to promises to redraft the constitution.

US anxious about oil-rich states

By Bruce Clark in Washington

US interests could be severely damaged if reforms go wrong in the energy-rich republics of the Caucasus and Central Asia, a senior US official warned yesterday.

Mr Strobe Talbott, the deputy secretary of state, said dire consequences could ensue if there was a failure of political and economic reform in those countries.

"The region could become a breeding ground of terrorism, a hot-bed of religious and political extremism and a battle-ground for outright war," he said in a speech billed by the state department at the start of a new US focus on the Caspian region.

"It would matter profoundly to the United States if that were to happen on an area that sits on as much as 200 billion barrels of oil," Mr Talbott added.

'Not-for-profit' proposal dropped but future operator will face curbs on executive pay

Ministers back down on lottery pledge

By George Parker, Political Correspondent

The government yesterday backed down on its election pledge to run the National Lottery on a "not-for-profit" basis, opening the door to the Camelot consortium to regain its licence to run the game, which expires in 2001.

But Mr Chris Smith, culture secretary, warned in a discussion paper on the future of the lottery that the operator would face curbs on profits and executive pay.

The paper also confirmed government plans to allocate £1bn ($1.67bn) of lottery proceeds to new projects in education, health and the environment, and to a new endowment for science, technology and the arts.

It emerged last night that Mr Tony Blair, the prime minister, had asked Mr Denis Stevenson, chairman of Pearson, the media group which owns the Financial Times, to preside over a key element of the new strategy – overseeing a revolution in the use of information technology in schools.

Mr Stevenson, who drew up a report for Labour on the increased use of IT earlier this year, will be appointed as an unpaid adviser in the autumn. "He will be there to co-ordinate policy, as a trouble-shooter and to evangelise about the project to the business community," said one senior government official.

The opposition Conservatives accused the government of reneging on its manifesto pledge to seek a "not-for-profit" operator of the lottery after 2001, and of raiding the lottery to fund core areas of government spending.

Mr Richard Branson's Virgin Group, which said last month it was no longer interested in running the game on a non-profit basis, was yesterday said to be reconsidering its position.

But Mr Smith said the winning bidder to run the lottery after 2001 would be chosen on its ability to generate the maximum amount for good causes, not on the basis of ideology.

The discussion paper suggests one model in which a multi-purpose company might take on the franchise, using the extensive lottery retail network for other activities. Government officials said this might allow a computer company, for instance, to supply lottery terminals which could be used for other purposes – such as providing newsagents with an all-purpose cash register.

Mr Francis Maude, Conservative culture spokesman, said the government's plan to fund public health schemes and IT training for teachers from the lottery breached the principle that lottery cash should be additional to normal public spending. "The only cabinet member smiling as a result of this turnround will be the chancellor of the exchequer," he claimed. "The people's lottery is becoming the government's lottery. This illustrates what we have always contended – Labour can't keep its hands off other people's money."

Editorial Comment, Page 13

New life for democracy or end of union?

The government will next week start unpicking 1,000 years of history, with the first stage in its plan to dismantle the United Kingdom. At least, that is the way the former ruling Conservative party portrays the devolution plans of Mr Tony Blair, the prime minister.

Two discussion papers setting out plans for a Scottish parliament and Welsh assembly will be published this week, in the first stage of a monumental agenda for constitutional change.

By the end of this parliament, assuming the government fulfils its promises, power will have been sucked out of Westminster and dispersed across the land.

The government promises to revitalise democracy by bringing power closer to the people, but the siren voices of the right warn it will be the end of the UK as we know it.

The government argues that the UK is more likely to fracture if power is not transferred from Westminster, and says devolution will head off the separatists.

Scottish devolution is arguably the most significant aspect of the government's constitutional programme. The plan to give Edinburgh its own legislative parliament, with limited tax-raising powers, returns some of the powers the Scots pooled with London in the 1707 Act of Union.

Scotland is almost certain to vote "yes, yes" in the two-question referendum on September 11. Scots will be asked if they want their own parliament and whether it should be able to vary tax rates.

A week later, ministers hope the Welsh, swept along by the enthusiasm for devolution north of the border, will say "yes" in a referendum to set up an assembly in Cardiff.

Mr Blair's visit to Wales last week was the latest indication that the government has doubts about whether the principality will sign up.

Critics claim the assembly – which will have no tax-raising or primary legislative powers – is little more than a "talking shop".

The government's devolution plans extend beyond Scotland and Wales. Northern Ireland is also offered the prospect of more local control through a revived assembly.

The English regions are offered the prospect of elected assemblies – if they want them – to bring democratic control to the government's regional offices, currently headed by Whitehall commissars. Local control over issues such as funding roads, hospitals and the environment would follow.

Mr John Prescott, deputy prime minister, is bringing forward legislation for regional development agencies, to take greater control for attracting investment and overseeing regeneration.

London, which has no single voice, will be given a small elected authority headed by a directly elected mayor. Mr Blair, who believes elected mayors can reinvigorate a moribund local democracy, believes other big cities could follow. Birmingham, the second-largest city in England, might be invigorated in the same way that New York and Barcelona have been by a strong local figurehead.

Creating stronger regional identities within the UK fits in with the European Commission's model of a "Europe of the regions" – which inevitably diminishes the role of the nation state. Mr Blair believes the centralised Westminster model stifles local ideas and energy. After five years of his government, the United Kingdom may well seem a different place.

George Parker

Wales News & Pictures

Robert Hodge at the launch of the Welsh No campaign masterminded by his father Sir Julian

Devolution guidance notes attacked

Anti-devolutionists last night accused Labour of "conscripting civil servants", as the government issued its guidance notes for the conduct of officials during the campaigns on Scottish and Welsh devolution, Liam Halligan writes. Separately, the government yesterday suffered its third defeat in the House of Lords, as peers pressed for the tax-raising powers of the proposed Scottish parliament to be explicitly limited to income tax. Publishing a short note on civil servants' conduct in the run up to the Scottish and Welsh referendums in September, the government warned public officials that: "Devolution is politically controversial ... It is important to maintain impartiality."

"This is once again using taxpayers' money for party political gains," said Conservative party headquarters.

US rail company to face network limits

By Charles Batchelor, Transport Correspondent

English Welsh & Scottish Railway, the US-owned freight company, will be stopped from squeezing smaller operators off the network by safeguards imposed by the rail regulator.

Mr John Swift, the regulator, has intervened to impose limits on the number of trains EWS runs through key junctions on the network and to require the company to give up timetable slots which it has booked but cannot use.

He will expect EWS, the largest UK freight company, and Railtrack to disclose more information on their contracts, to judge whether they are discriminating against smaller companies.

EWS and Railtrack have signed a comprehensive agreement covering track access and pricing, to avoid the need for detailed negotiations over every service provided. This agreement requires the approval of the rail regulator.

After consulting 250 organisations and individuals with an interest in rail freight, the regulator has proposed imposing conditions on the deal. He yesterday published his proposed changes and gave rail companies until August 8 to comment.

Under the original contract, EWS, owned by Wisconsin Central Transportation, would have been allowed to put in a block bid to run trains between two points without giving precise timings until closer to the running of the service.

This is because it puts in bids for slots up to 18 months in advance and is unable to predict precisely when trains will run.

Smaller operators objected this would make their own timetable planning more difficult and could be used to "sterilise" capacity. The regulator decided Railtrack would allocate notional timings to its services.

The regulator named 14 key points on the railway, including Carlisle station, Bristol Parkway, Reading and Kensington Olympia, where capacity is limited and the number of EWS trains would be restricted to prevent rivals being blocked.

The rules requiring EWS to give up timetable slots, unless it can give an assurance that it will run trains, have been strengthened.

Railtrack will be able to build more flexibility into its timetables allowing it to provide a slot for a particular service up to an hour either side of the agreed time. This would give it greater scope to cope with increasing numbers of trains without breaching its contract.

Statement says this month's Budget established tight fiscal and monetary policy

IMF praises Labour's 'excellent start'

By John Kampfner, Chief Political Correspondent

The International Monetary Fund will today praise the UK government for establishing tight monetary and fiscal policy, while calling for a politically unpalatable broadening of value-added tax.

In a statement issued at the end of 10 days of discussions at the Treasury and Bank of England, the UK central bank, the IMF will say "the new government has made an excellent start".

Its assessment, although broadly positive, includes several warnings about the strength of sterling and an over-buoyant consumer sector. It also criticises proposals to introduce a national minimum wage.

The report says the Budget this month from Mr Gordon Brown, the chancellor of the exchequer, did more to tighten fiscal and monetary policy "than sometimes supposed". Mr Brown has been irritated by criticism from many City analysts that he did not hit consumers hard enough.

"While the Budget measures could have been tilted more heavily against current consumer spending, particularly in view of earlier cuts in income tax, it is difficult to criticise the magnitude of the overall up-front fiscal correction," the report says. "Firm implementation, particularly through observance of the control totals for spending this year and next should boost credibility, slow the upswing and set the public finances on a sound medium-term track."

However, it criticises Mr Brown's adoption of the "golden rule" – in which the government is allowed to borrow to cover its investment.

It prefers the old policy of balancing the budget over the ups and downs of the economic cycle.

The report welcomes Mr Brown's decision to abolish the tax credit on dividend payments for some shareholders and his announcement of reviews on corporate and capital gains taxes and pensions.

Savings, it says, could also be fostered by broadening taxes on consumption. "In this regard, while we are aware that successive governments have foresworn significant broadening of the VAT base, this is an issue that warrants serious economic debate."

Labour has rejected calls to extend VAT.

The document was released on the eve of Mr Brown's first appearance before the all-party House of Commons Treasury committee to defend his Budget.

Officials pointed to the contrast in the Labour government's relations with the IMF in 1976, when Mr Denis Healey, then chancellor, was forced to go for financial help to tackle a balance of payments crisis.

Poll supports debate on Emu

Mr Gordon Brown, the chancellor of the exchequer, has received public support for his decision to launch a wide public debate about UK membership of economic and monetary union, according to an opinion poll published yesterday, Wolfgang Münchau writes.

About 91 per cent of respondents support the idea of a government discussion paper setting out the arguments for and against Emu, according to a poll commissioned by the European Movement, a pro-European pressure group.

It said 67 per cent of respondents had not made up their minds about Emu, while 7 per cent were strongly in favour and 19 per cent strongly opposed.

When pressed to come out for or against, 52 per cent said they tended to oppose Emu, while 41 per cent said they tended to favour it.

The poll suggests that opinions could be subject to strong swings. IThe public appears less sceptical than the German public. Polls there suggest two-thirds of Germans oppose Emu.

Lord Howe, the former foreign secretary, said the poll suggested "the common ground of British politics has recently been dramatically redefined". Mr Neil Kinnock, European Union commissioner and former Labour leader, said "the vast majority of British people now declare themselves openly in favour of closer co-operation" with the rest of the EU.

UK NEWS DIGEST

Air traffic body urges sell-off

The Civil Aviation Authority, the regulatory body for the airline industry, has told the Labour government it will not be able to meet its investment needs unless the air traffic control service is privatised. The CAA's view, contained in a paper submitted to the government this month, follows controversy during May's general election over whether Labour would privatise National Air Traffic Services in power. Although Labour leaders said they could not rule out privatisation, the government has not yet indicated that it will introduce the necessary legislation.

The CAA has told the government that it would be sufficient for the private sector to own 51 per cent of Nats, with the government holding the rest. Nats was last year turned into a limited company, which is wholly-owned by the CAA. The Department of Transport said yesterday: "The CAA may have its own views, but ministers will decide. They are currently considering all the options."

Although privatisation remains the CAA's preferred option, Sir Malcolm Field, chairman, indicated yesterday that the authority might be prepared to accept other arrangements which freed it from the constraints of the public funding limits.

The authority has said it needs to invest £130m ($217m) annually over five years to ensure that the UK can cope with the expected increase in air traffic. The CAA accounts reveal that air traffic increased by more than 5 per cent in the year to March 31. It was the third year in succession that aircraft movements had increased by this amount. *Michael Skapinker*

■ EDUCATION

Job skills may be part of courses

The vocational "sandwich" degree course could become the model for all degrees if universities endorse proposals to put employment skills modules into study programmes. The proposals, from Sir Ron Dearing's committee on higher education, whose long-awaited report is published this week, follow intense lobbying by business leaders. They are concerned that universities are turning out graduates with limited knowledge of the world of work.

Leading companies will be expected to fund a big expansion of the workplace opportunities for the 1m students who now enrol on university courses.

All graduates would be trained not only in the key skills of communication, numeracy and information technology, but also in job skills such as the ability to be flexible and adaptable, to work in teams and to manage their own development and careers. *Simon Targett*

Editorial comment, Page 13

■ MANUFACTURING

Japanese fax-maker boosts plant

Oki Electric, the Japanese electronics company, is basing the manufacture of a new generation of fax machines in its UK factory – a further sign of the interest Japanese groups have in internationalising production. The decision is likely to create between 200 and 500 jobs. It is part of a plan by Oki to become one of the biggest suppliers in the world of "plain paper" fax machines that use light-emitting diodes and avoid the curling and storage problems of older machines. Oki's factory near Glasgow in Scotland, is one of Britain's biggest production sites for office equipment, with nearly 1,000 employees producing output worth £350m ($584m) a year. The company decided to base manufacturing outside Japan partly on the basis of the country's high labour costs, but also because of the Scottish plant's record. *Peter Marsh*

■ JAGUAR CARS

Sports model drives sales figures

Jaguar is on course to record its highest sales since Ford bought the company in 1989 for £1.6bn. The 20 per cent jump in sales during the first half of this year, to 21,977, was driven mainly by the XK8 sports car. The new model is selling faster than any previous Jaguar sports car, even the legendary E-Type. Jaguar said yesterday the total was likely to reach 45,000 this year. Sales increases of both sports cars and saloons were spread widely geographically. North American sales rose by 12 per cent to 9,677; those in continental Europe by 30 per cent to 4,654; UK sales by 28 per cent to 4,952, and other export markets by 21 per cent to 2,694. *John Griffiths*

■ VEHICLE PRODUCTION

Output for export increases 8%

UK car production for export, which dipped in May, has begun to rise again despite the increased strength of sterling. Output for export rose by 8.8 per cent in June to 71,681 from 65,878 in the same month last year, lifting the total for the first half of the year to 496,980, a year-on-year rise of 15.8 per cent. The improved export performance helped lift total car production in the first half of the year to 876,315, a 3 per cent rise on last year's first half. This was despite June's output for the domestic market falling by 3.6 per cent year-on-year, to 83,293. The production picture for commercial vehicles is gloomier. June output was down 5 per cent, to 20,043. *John Griffiths*

■ BRITISH AIRWAYS

BA meets cabin crew over savings

British Airways will meet tomorrow with representatives of its cabin crew to hear their proposals to save £42m ($70m), which both sides have agreed must be contributed to the airline's £1bn saving and efficiency programme. The Heathrow meeting will be attended by Acas, the government-funded conciliation service. BA said 95 per cent of its services were normal yesterday and it hoped to have resumed all flights by the end of the week – more than a fortnight after the cabin crews' three-day strike. Disruption has been prolonged by cabin crew remaining on sick leave. *Andrew Bolger*

Clockwork radio inventor gives the doubters a ticking off

Trevor Baylis wants to see an academy for getting ideas into the marketplace, writes Vanessa Houlder

Inventors are getting a raw deal, says Mr Trevor Baylis, the man who dreamt up the clockwork radio.

The country is full of inventors, many working alone in kitchen workshops and garden sheds. But much of their work remains undeveloped because it is difficult to find backing.

The way to end this "appalling waste of British inventions", says Mr Baylis, is to set up an Academy of Inventors which would give the profession increased status and help to get ideas to the marketplace.

Mr Baylis, 60, believes his own experience illustrates the need for an academy for inventors. After a career as a professional stuntman, manufacturer of swimming pools and designer of aids for the disabled, he embarked on his project to commercialise a wind-up radio in 1992.

He struggled to get the invention off the ground. "Initially I was turned down by everyone," he says. "You have to have more guts to be an inventor than you have to be a stuntman."

But after the device was shown on television, a corporate financier at BDO Stoy Hayward stepped in. A manufacturer in South Africa recognised the potential value of a wind-up radio to developing countries, where people had difficulty getting batteries. The company now sells about 40,000 radios a month.

Mr Baylis, who lives in a wooden house on a small island in the river Thames at Twickenham, west London, acknowledges some truth in the eccentric image of inventors.

He says inventors are often egoistical and paranoid because they are afraid their ideas will be stolen if they discuss them. But he resents the mocking commonly suffered by the breed. He cites a list of eminent inventors whose contributions were unrecognised and who ended their lives in penury and despair and adds: "We have to change the image of the lone inventor."

Many British inventions have failed to be exploited in the UK, at a loss of billions of pounds, Mr Baylis says. He is echoing a point frequently made by government and public bodies, which have urged financiers to be more ready to back technological start-ups.

Mr Baylis is writing to banks, institutions, companies and inventors urging them to back the academy. He says it would allow inventors to have their ideas vetted for economic potential. That would help address the common fear that their proposals might be stolen.

"The academy would set standards and guide the lone inventor and innovators through the minefields of commerce. Properly funded, it could help us all in the UK to protect our future," he says in his letter.

The academy would help inventors who have no understanding of the way business works. "We inventors don't have the skills we need to introduce ourselves to the marketplace," says Mr Baylis.

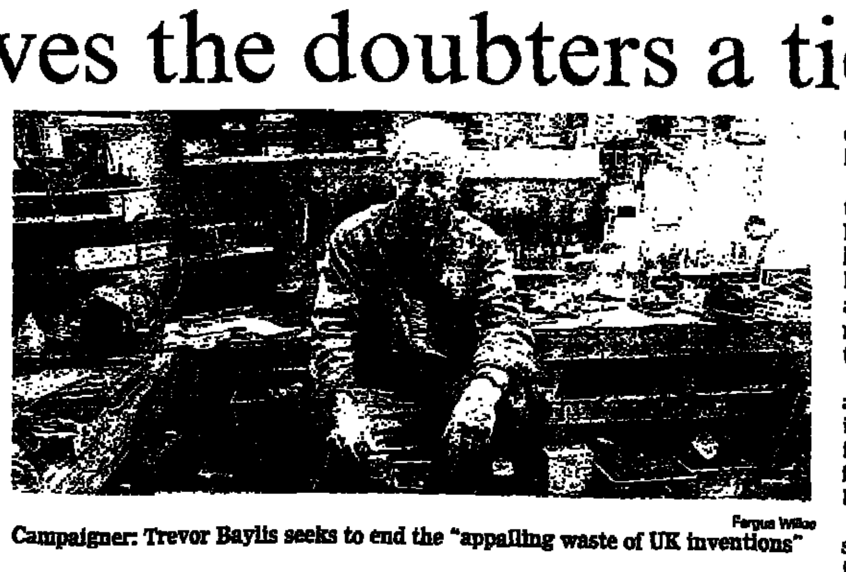
The academy would protect inventors from "spivs and crooks", tell them how much money they need to raise, help them draw up a business plan, help them develop a prototype, give advice on a royalty agreement and find manufacturers interested in licensing the product.

Initial advice would be free but the academy would take a share of the inventor's royalties. It would need funding of £3m ($5m) a year for the first three years, after which Mr Baylis believes it could become self-financing.

Part of its role would be as a "bit of a social worker", dissuading people from investing time and money on unworkable ideas.

But he is convinced that "lots and lots of gems" will be uncovered which would otherwise be neglected.

"Convention," he says "is an obstacle to progress."



Fergus Wilkie

Campaigner: Trevor Baylis seeks to end the "appalling waste of UK inventions"

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For further information, please contact Joe Considine or Melanie Giles of Coopers & Lybrand, Churchill House, Churchill Way, Cardiff, South Glamorgan CF1 4XQ.
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For further information, please contact Mark Hopkins of Coopers & Lybrand, Temple Court, 35 Bull Street, Birmingham B4 6JT.
Tel: 0121 265 5000. Fax: 0121 265 5600.

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- Rope manufacturing facility and offices based in 7400 sq. m. leasehold property in Heywood, Lancashire.
- The company is approved to ISO 9002 at Heywood.

For further information please contact the Joint Administrative Receiver Angus M. Martin at the address below or Adrian Berry on 01706 360363.
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The Joint Administrative Receivers, Jonathan Sisson and Neville Kahn, offer for sale the business and assets of these six restaurants based in Yorkshire.

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For further information, please contact Adrian Poole or Steve Ingle of Coopers & Lybrand, The Atrium, St Georges Street, Norwich NR3 1AG.

Tel: 01603 615244. Fax: 01603 631060.

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CONTRACTS & TENDERS

REPUBLIC OF ALBANIA
ALBANIAN TELECOM
TENDER REF. No. AT-SCRS 001.07/1997

INVITATION FOR BIDS

SUBJECT: **Supply of Small Capacity Radio Systems for Digital Transmission to be used in the Telecommunication Network of Albania.**

Albanian Telecom invites the interested manufacturers and suppliers to take part in this International Open Tender for the supply of Small Capacity Radio Systems for Digital Transmission to be used in the Telecommunication Network of Albania, offering their best competitive prices, on the basis of the tender documents.

The quantities and types of required Radio Systems are as follows:

1. 4 Channel Capacity Radio Systems for Digital Transmission Total Hops 34.
2. 2 Mb/s Capacity Radio Systems for Digital Transmission Total Hops 20.

The Bids must be accompanied by a Bid Security of 15.000 US.

A complete set of bidding documents in English may be purchased by any eligible bidder on the submission of a written application to the above and upon payment of a non-refundable fee of 100 US$. The documents will be sent by DHL courier or handed to a representative of the eligible bidder.

Payments are to be made in the name of Albanian Telecom to "Account No. 639 107/01, maintained to National Commercial Bank of Albania, Rruga e Barikadave, Tirana, Albania".

The Tender will be organised on Friday, 29 August, 1997 at 12.00 am. in Albanian Telecom headquarters and immediately thereafter they will be opened in the presence of Bidder's representatives who wish to attend.

The interested eligible bidders may obtain further information from and inspect the bidding documents at the office of:

ALBANIAN TELECOM
Procurement Department
Rruga "Myslym Shyri", Nr. 42
Tirana, ALBANIA
Tel: ++355 42 301 60
Fax: ++355 42 322 00

CROATIAN PRIVATISATION FUND
ANNOUNCES

AN INVITATION FOR SUBMISSION OF BIDS FOR CAPITAL INCREASE IN HOTEL "BELVEDERE" JOINT-STOCK COMPANY - DUBROVNIK

Hotel "Belvedere" is located on the southern part of the Dalmatian coast, no more than 1.5 Km from the historical core of the city of Dubrovnik. First established in 1985 - forming a part of the hotel complex which encompassed 26 hotels at the time - all located within the Dubrovnik region. Since 1991 the hotel carries out its business activity as an autonomous company.

The hotel is located on the land section of 40.444 m² surface and has 16 floors of aggregate net surface 21.898,18 m². The hotel possesses 200 rooms and 22 suites:

- 42 single rooms
- 158 double rooms
- 2 semi-suites for newlyweds
- 19 suites
- 1 presidential suite

The hotel possesses 5 restaurants, 4 bars, night club, amphitheatre, conference room, small shopping centre, 2 swimming-pools, eight elevators - one of which is directly connected to the beach.

Equity capital of the joint-stock company Hotel "Belvedere" amounts to 34.908.000,00 with the following ownership structure:

SHAREHOLDER SHARE	NOMINAL VALUE OF SHARES HELD (IN DM)	PERCENTAGE
State Bank Rehabilitation Agency	*12,142,000*	34.78%
Croatian Privatisation Fund	4.739.400	13.58%
Pension Funds	2.369.700	6.79%
Dubrovacka Banka	1.755.000	5.03%
Small Shareholders	2.801.900	8.02%
INA Plc	11.100,000	31.80%
Total	***34,908,000***	***100.00%***

Due to war activities the hotel has been seriously damaged on several occasions and is currently out of function. Bearing in mind that it requires significant investments for the renovation of the hotel, the aim of this capital increase is a complete hotel reconstruction and its preparation for the next tourist season.

To obtain all further information, feel free to contact:

THE CROATIAN PRIVATISATION FUND
Mr Ante Sango
Ivana Lucica 6
10 000 Zagreb
Tel: ++385 1 4596 379
Fax: ++385 1 4596 366

THE FINAL DATE FOR SUBMISSION OF BIDS IS 01.09.97

CONTRACTS & TENDERS

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Engineering Service

BIDDING NOTICE
INTERNATIONAL BIDDING NO. 845-9-012-97

Scope: International Bidding for contracting engineering services for setting up the solvent Dearomatization Unit at Alberto Pasqualini Refinery - REFAP, in the Municipality of Canoas, State of Rio Grande do Sul, Brazil, including *consolidation of basic design, preparation of the detailed* design, supply of materials and equipment, civil construction, electromechanical assembly, on site and off site hook-up, commissioning, tests, assistance to start-up and assisted operation, during a period of 570 (five-hundred and seventy) calendar days, on a lump-sum contract bases. Bid Evaluation Criterion: Lowest price.. Address for consultation/purchase of the Bidding Documents: SEGEN/EMSUL, Rua General Canabarro, 500 - 8th floor - Rio de Janeiro - RJ - phone: (021) 566-3660/566-5520, as of July 21, 1997. Bidding documents may only be obtained upon presentation of a bank deposit slip for the amount of R$ 500,00 (five-hundred reais) and the Secrecy Agreement, available at the above address, signed by the company's director or legal representative in Brazil, duly authenticated. Bids will be opened on October 21, 1997 at 10 am, at Rua General Canabarro, No. 500 - on the 7th floor - Rio de Janeiro - RJ.

BIDDING COMMITTEE

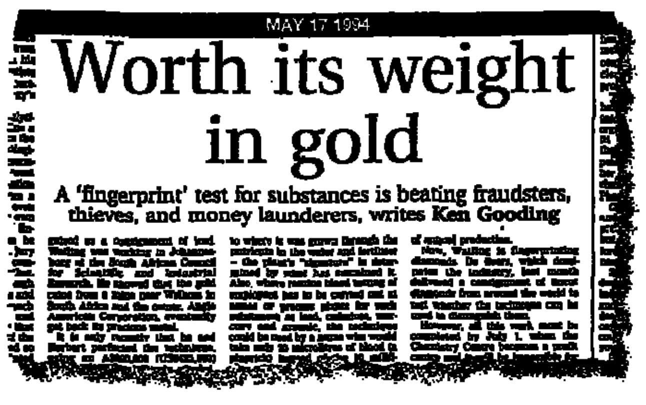
BUSINESSES FOR SALE

Appear in the Financial Times on Tuesdays, Fridays and Saturdays. For further information or to advertise in this section please contact Marion Wedderburn on +44 0171 873 4874

TECHNOLOGY

Update · Substance 'fingerprinting'

Clues mount up for gold detectives



THEN: Every piece of gold has a chemical fingerprint that reflects the unique geology of its source deposit. Scientists in Perth, Australia, exploited this to obtain evidence that swung several court cases involving gold theft.

John Watling and Hugh Herbert, colleagues at the Western Australian Department of Minerals and Energy's Chemistry Centre in Perth, used fingerprinting to show that the gold content in test results from a mine in nearby Kalgoorlie had been doctored with gold from another source.

They used a mass spectrometer to reveal the individual chemical elements present in the sample and compared this pattern with gold from Kalgoorlie.

Their success won them work with 20 gold-producing countries eager to uncover gold fraud and theft.

NOW: The technique can now expose the plunder of previous eras. Minute samples shaved from ancient artefacts that contain gold or other precious metals can give valuable clues to the objects' histories.

Anglo American, South Africa's biggest mining company, plans to use fingerprinting to allow it to trace gold from any mine in the world.

Fingerprinting could reveal the source of the metal used in Britain's first gold coins – probably France – or Tutankhamun's mask (Egypt has no known gold deposits).

"Until this technique came along, gold was anonymous," says John Tumilty, managing director of Anglo American Research Laboratories. "But now gold that was anonymous has a history."

His company has already used the technique to reveal facts about South Africa's indigenous peoples that the apartheid regime found it convenient to hide.

Analysis of objects made by the Buntu people between 700 and 1,000 years ago identified gold from three separate sources and helped build a picture of where the Buntu lived. "It was inconceivable for the previous administration to imagine there was a Buntu civilisation," says Tumilty.

"Most of these artefacts were in a museum in Pretoria and never saw the light of day."

Work is in progress on 120 pieces plundered by followers of Cecil Rhodes from Great Zimbabwe, the stone city where the Karanga people traded gold between the 11th and 15th centuries. "I hope we will be able to build up the trading patterns in Africa in particular," says Tumilty.

Anglo found 15 tonnes of gold under railway tracks used for 40 years to transport the metal

Anglo also hopes to shed light on the modern-day destinations of South African gold.

Tumilty believes that up to 10 per cent of gold produced annually in South Africa is stolen. The country last year produced 522 tonnes of the metal. "Our contention was that a lot more gold was going missing than people thought," he says.

"If you go to gold mines they have reasonable security. But 1g of gold is tiny."

Stolen gold reverts to the state if no one can prove ownership, so there is money to be made from a technique that will allow mines to prove the gold was stolen from them. Tumilty says his tests are 70 per cent certain to identify the correct source.

Gold is lost as well as stolen. Because the metal is heavy and generates little friction when it moves past objects, gold that falls on the ground can easily be lost under top soil.

Tumilty says Anglo recently found 15 tonnes of gold under railway tracks used for 40 years to transport the metal from one of the company's mines.

His laboratory hopes to complete within a year a databank of geologies of the world's working gold mines.

Such an inventory might help prevent repeats of this year's Bre-X debacle.

The Canadian mining company was valued at £4bn after tests that suggested an Indonesian seam contained 200m troy ounces of gold, worth about £40bn.

But the share price dived after the find was revealed as a fraud. Test samples had been "salted" with gold from another source.

Fingerprinting would expose frauds more sophisticated than Bre-X because the mass spectrometer tests for dozens of chemical elements. "We would analyse not only for gold but for other things," says Tumilty.

"If all the things didn't go together then we'd know it was a fraud."

Michael Peel

Viewpoint · **Koen de Pater** and **Christel Bottenheft**

Microscope on results

Research in Europe must keep the potential end in sight

Between 1991 and 1995, the European Union spent Ecu13bn (£8.6bn) on its third Framework research programme, which had two objectives: strengthening the competitiveness of industry and supporting European policies such as on transport or energy.

Some 170 science and technology experts have recently been busy evaluating the 18 sub-programmes. The programme has created a single market for research but that alone does not prove its value. It is the results that count. Taking these as a lead we distinguish four categories.

● The first category would be programmes that have made a *clear impact on commercial markets*. That would be the case with Esprit, the information technology programme, which led to the development of application-specific chips, dynamic memories and flash memories used in products ranging from cars to television sets and mobile telephones, and some high-performance computing applications.

It would also be the case for the telecom research programme, Acts, which developed hundreds of European and often worldwide standards, such as GSM for mobile communications and ATM for high-capacity electronic links. A lot of work has been done on digital processing for radio and TV, the results of which will reach the market in the years to come. In these areas one cannot avoid the European scale due to enormous costs and the need for standards. Brite Euram (production and materials) made its mark with a wide range of smaller projects like new membranes or Cadcam applications.

● Then there are programmes where the market is reluctant to pick up the results. This is the case for telematics, a collection of technologies expected to play a key role in "intelligent" transport infrastructure and other areas. This programme has developed many applications that remain one-offs. It has failed to take off, not because of any problems with the technology, but because potential buyers in the public sector cannot afford the investment or because the market first needs standards that link the islands of telematics (like transport tolling or medical applications). Also, the programme has focused on applications of public interest while the big commercial boom is happening in business-to-business applications.


Third Framework programme aims to boost EU industry and support policies

Non-nuclear energy research also falls into this category. It has contributed to the development of fuel cells, solar cells, large wind turbines and many other forms of non-fossil energy, but the low price of oil locks most alternatives out of the market. Research needs to be complemented by fiscal incentives or regulation to give renewable energies a chance.

A further example is the Biotechnology programme which has produced new insights into the living cell, be it in micro-organisms like yeast, or in plants, animals or humans. Some of these are now applied, for instance in enzymes that speed up chemical processes, and industry is becoming more and more involved. However, the commercial uptake has been disappointing, possibly due to a lack of risk capital and academic entrepreneurship.

● The third category supports European policies. This includes Standards, an unobtrusive research programme that underpins pan-European standards in fields ranging from the environment (such as wastewater monitoring) to the chemical industry and food. Agricultural research (Fair) underpins the common agricultural and fishery policies, for example by developing new non-food crops. This programme has been following shorter-term policy needs so closely that the experts recommend strengthening longer-term research.

● Finally, there are the programmes that are awaiting European policies to support. The environment programme, for example, promotes excellent research into global climate change, air pollutants and other subjects, but its benefits are too long term for the environment directorate in the EU to be very interested. The marine research programme Mast has done some excellent work, for example into the influence of the Gulf Stream on the environment, but there is no policy user in sight for the time being.

Then there is the transport research programme. It is closely linked to European policy makers but seems to be still in the stage of pre-policy research, inventing scenarios, gathering statistical information, preparing new pan-European systems for rail, water, air and road transport. Here, to become a success, research must be complemented by harmonised regulation throughout Europe.

Two conclusions might be drawn. First, a note of modesty: can we judge the usefulness of research programmes purely by their practical results? Maybe not. Research alone is not enough to trigger results: other policies like regulation or financing have to be brought in, some at European and some at national level.

Even if we fix all that, industry will prefer European programmes in, for example, chemical research or biotechnology to stay in the phase before the market. We will have to live with that.

Second, an insistent note: research programmes and their evaluation must focus on the ultimate results for the outside world. Just as many computers have "Intel inside" stickers, so results of European research should metaphorically display "Framework inside" stickers.

Under the presidency of Hans Wijers, the Dutch minister of economic affairs, the research ministers in Europe recently discussed the forthcoming fifth European research programme. It seems that focusing on potential results at European scale is now accepted as the basis for the next programme.

Koen de Pater, from the Dutch Ministry of Economic Affairs, is a member of Crest, the advisory body for research to the European Union and the Council. Christel Bottenheft assists him. The views expressed here are their own.

European Union research and technology grants

Programme	Date/OJ Reference	Due date	Value Ecu m	DG	Contact fax/Email
Information Technology (ESPRIT)	15.3.97/C84 15.4.97/C117 (with Brite-EuRam) 17.6.97/C183	16.9.97 31.3.98 16.9.97	2,035	III	Mrs Gerda Colling +32-2-296.63.88 esprit@dg3.cec.be
Software; components & sub-systems; multimedia; Long-term Research; Open Microprocessor System Initiative; high-performance computing, business process technologies; manufacturing integration					
Advanced communications Technologies and Services (ACTS)	17.6.97/C183	26.9.97	671	XIII	ACTS Central Office +32.2.295 06.54 aco@postman.dg13.cec.be
Interactive digital multimedia services, photonic technologies; high-speed networking; mobility & personal communications networks					
Industrial & Materials Technologies (BRITE-EURAM)	15.12.95/C337 17.12.96/C381 ● main call ● networks, CRAFT, etc 15.4.97/C117 (with Esprit)	20.5.98 15.9.97 17.12.97, 8.4.98 and 20.5.98 31.3.98	1,722	XII	Help Line +32-2-295.80.46 imt.helpdesk@dg12.cec.be
Production technologies; materials & technologies for product innovation; technologies for transport					
Standards Measurements and Testing (SMT)	15.12.94/C357 15.6.95/C148 17.6.97/C183	15.3.95-17.12.97 30.7.98 27.11.97	184	XII	Mr Pierre Mériguet +32-2-295.80.72 smt-helpdesk@dg12.cec.be
Measurements for Quality European Products; standards and technical support to trade; measurements related to the needs of society					
Environment and Climate	15.12.95/C337 17.6.97/C183	20.3.97-20.8.98 10.10.97	566.5	XII	Space technology: +32-2-296.05.88 Other areas: +32-2-296.30.24 environ-infodesk@dg12.cec.be
Environmental quality & global change; environmental technology; space techniques for environmental monitoring & research; sustainable development					
Marine Science and Technology (MAST III)	15.12.94/C357 15.3.96/C75 17.12.96.C.381(study/training) 17.6.97/C183	7.12.97(SMEs) 12.6.98 20.8.97 10.10.97 12.6.98	243	XII	Mr Jean Boissonnas +32-2-296.30.24 mast-info@dg12.cec.be
Marine science; strategic marine research technology					
Biotechnology	15.12.95/C337 15.6.96/C171 17.12.96/C381 17.6.97/C183	3.96-7.98 (training) 11.96-7.98 (training) 3.97-9.98 (training) 15.10.97	588	XII	Mr Alfredo Aguilar +32-2-295.53.65 life-biotech@dg12.cec.be
Cell factories; genome analysis; cell communications in neurosciences; immunology and vaccines; structural biology; biodiversity; social acceptance					
Biomedicine and Health	17.1.95/C12	31.3.96-31.12.97 (fellowships)	358	XII	Mr Alain Vanvossel +32-2-295.53.65 alain.van-vossel@dg12.cec.be
Pharmaceuticals; biomedical technology & engineering; brain research; human genome research; public health; biomedical ethics					
Agriculture and Fisheries (FAIR)	17.12.96/C381 ● SME/Craft ● fellowships 15.10.97	 8.4.98 CONTINUOUS 16.1.98	646.5	XII	Mr Xabier Goenaga +32-2-296.43.22
Integrated production & processing chains; nutritious foods; agriculture, forestry & rural development; fisheries & aquaculture					
Non-nuclear Energy (JOULE-THERMIE)	15.12.94/C357 15.6.96/C171 15.9.97	17.12.97 (Demo) 9.96-7.98 (training)	1,030	XII (R&D) XVII	Mr Michel Poireau (R&D): +32-2-295.06.56 Mr Wiepke Folkertsma (Demonstration): +32-2-295.05.77; info@dg17.cec.be
Strategy; rational energy use; renewable sources; fossils fuels; energy technology dissemination					
Nuclear fission safety	17.1.95/C12	1.11.97	170.5	XII	Radiation protection: +32-2-296.62.56 All other areas: +32-2-295.49.91
Innovative approaches; reactor safety & severe accidents; radioactive waste management disposal & decommissioning; impact on man & environment					
Targeted Socio-Economic Research (TSER)	16.9.97 (info on next call)		112	XII	Mr Stephen Parker +32-2-296.21.37 tser-secr@dg12.cec.be
Evaluation of science & technology policy options; education & training; social integration & exclusions					
International Cooperation	15.2.95/C39 15.4.97/C117	grants: 3.96 - 3.98 11.9.97 & 26.9.97	575	XII	Central/Eastern Europe +32-2-296.33.06 EEA, EUREKA +32-2-296.42.89 COST Mr Michael Chapuis +32-2-296.42.89 Developing countries +32-2-296.62.52 inco-desk@dg12.cec.be
Central & Eastern Europe; other industrialised countries; developing countries					
Dissemination and application of research findings (INNOVATION)	17.6.97/C183	6.10.97	312	XIII	Innovation: Mr Robin Miège +352-4301-34544 Relay Centres: Mr J Hernandez-Ros +352-4301-34129 Training/Dissem: Mr M Bellardinelli +352 4301-34989 Technology Transfer: Mr J-N Durvy +352-4301-34129
Technology validation; Technology transfer					
Training & Mobility of researchers (TMR)	17.6.97/C183 16.9.97 15.12.97	30.9.97 15.12.97 31.3.97	792	XII	Mr Jürgen Rosenbaum +32-2-296.90.26 tmr-info@dg12.cec.be
Research networks access to large-scale facilities; training through research; conference & summer schools					
TRANSPORT and TELEMATICS APPLICATIONS have no open calls					

The table above shows the status of the main programmes that distribute R&D grants within the EU Fourth Framework Programme. The name of each programme (and acronym, if any) is on the left in bold type, with a brief list of its main research areas beneath.

The next column gives the date(s) on which the EU Official Journal has published a "call for proposals" for the programme, with the reference number of the journal. Dates without a reference number show when the future calls are scheduled.

The "due date" column gives the main deadline for submitting project proposals. Some Calls have different due dates for different activities. The total budget of the programme over five years is given in millions of Ecu, followed by the number of the directorate-general responsible for it.

Finally there is a contact name (where available) and fax number in Brussels or Luxembourg. For further information look for DG XII's pages on the EU's Europa web site: http://europa.eu.int/en/comm.html

ARTS

Prints with a poetic sensibility

Susan Moore reviews the work of the Japanese artist Hiroshige

While one of the most prolific western illustrators of the 19th century, Honoré Daumier, produced 7,000-8,000 designs for prints, a master of the Japanese woodblock print, such as Utagawa Hiroshige, was responsible for perhaps 50,000.

This startling statistic underlines the fact that the Japanese prints spring from very different cultural and artistic roots. The appropriation of famous images and formal and compositional devices from Japanese woodblock prints by Impressionist, post-Impressionist and any number of later artists, has given us a false sense of familiarity with Japanese printmaking. One of the achievements of the current, immensely pleasurable retrospective at the Royal Academy of Arts in London, marking the bicentenary of Hiroshige's birth, is its underlying sense of the "otherness" of this tradition.

Like his older rival Hokusai, Hiroshige was primarily – but not exclusively – a landscape artist. Indeed this show opens with a group of prints of bird and flower subjects in the tall, narrow format of Chinese scroll painting, that demonstrate the artist's consummate skill and sure judgment in placing images and text onto a sheet of paper. His chosen field was also *ukiyoe* – "pictures of the floating world".

This "floating world" was that of the Japanese merchant class who were denied access to traditional forms of Japanese high art and culture. Its transitory pleasures are the focus of this genre of painting and printmaking – the innocent recreational outings to temples, shrines and beauty spots in and around Edo – present-day Tokyo – and to the popular Kabuki theatre, and the less innocent pleasures of the flesh to be found in the red-light Yoshiwara quarter.

Millions of *ukiyoe* prints were in circulation during the 19th century, with editions running to tens of thousands. (A single print was about the price of a cup of noodles.) With the growing market, the repertory of subjects expanded. Courtesans and actors were joined by warriors and sumo wrestlers; there were prints of humorous and historic subjects, and even still lifes. At the hands of Hokusai and Hiroshige, somewhat mechanical topographical views broadened out to embrace "pure" landscape. Many of these prints were conceived in series to encourage enthusiasts to collect whole sets.

From his first venture into landscape series, "Famous Views of the Eastern Capital" – made at much the same time as Hokusai's highly successful "Thirty-six Views of Mount Fuji", and at times indebted to it – Hiroshige's own voice is distinctive. His colour is unusual, combining an intense pink pigment with deep indigo blue. More significantly, however, the views reveal a direct and unaffected observation of the everyday life of the people of Edo. Whatever his subject-matter, Hiroshige succeeds in giving an impression of artless simplicity through images rich in artifice.

With "Fifty-three Stations of the Tokaido Road", a massive undertaking of 55 sequential prints published in 1833-34, Hiroshige's name was made. Here he depicted the activity he encountered on this main eastern sea road – roadside restaurants and dawn departures from local inns, travellers fording rivers on the backs of waders or in simple litters, or surprised by sudden rain. Invariably this narrative incident is combined with remarkably subtle evocations of climatic conditions and different times of the day, from clear dawns to the fading light of dusk and the drama and curious effects of moonlight, fireworks and torches.

Rather like that other great proto-Impressionist, J.M.W. Turner, Hiroshige is a master of "vapours" and invisible elemental forces – of enveloping mists, leaden skies, driving rain and snowstorms. These images have a poetic sensibility more usually associated with landscape painting than with the lowly woodblock print. His is an art of understatement and suggestion.

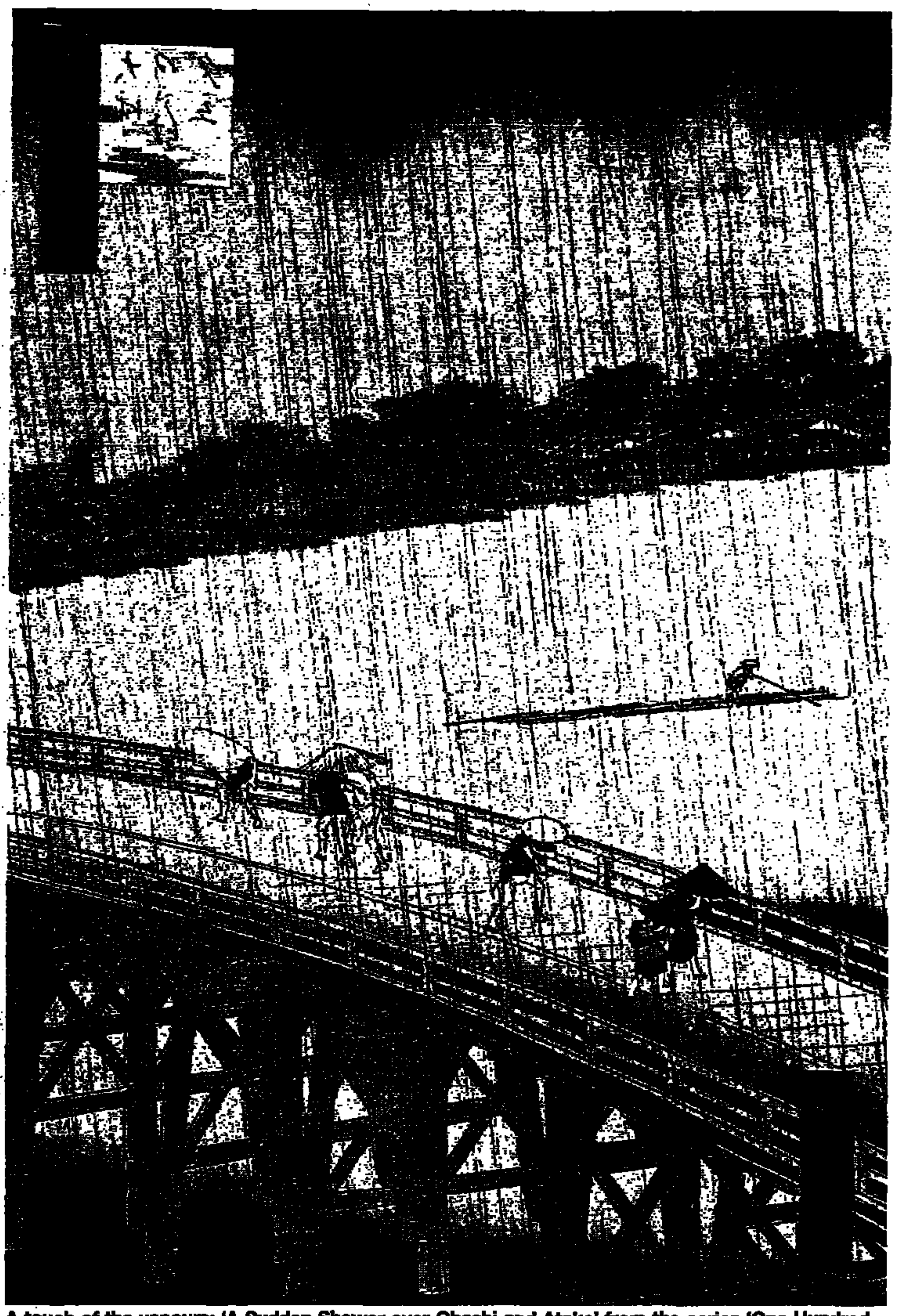
It may well be that Hiroshige sought to emulate or rival painting in printmaking. In "Bird on a Camellia Branch", for instance, the colours look almost as though they had been laid on by a brush, such in the sense of gesture and the nuance of colour.

With some of the more remarkable atmospheric landscape prints like "Travellers Passing a Shrine in the Mist" or "Travellers Surprised by Sudden Rain", where effects have been created largely by wiping the blocks before printing to give gradated tones and spatial depth, it becomes clear that the success of the print is due as much to complex printing techniques and the mastery of their execution as to the artist's initial design.

The engravers, inkers and printers are the unsung heroes of *ukiyoe* woodblock prints. The extent of their contribution begins to become apparent when one looks at the impressive cherrywood lineblocks on show (additional blocks were cut for each colour and then printed in perfect register) and at the variations between different impressions of the same image. It is striking when one looks at Hiroshige's drawings. In his worked-up and full-colour print of "View of a Harbour", the artist has left – presumably – the publisher's copyist to fill in the odd detail.

Elsewhere the designs are extraordinarily rough and schematic. "Heavy Rain on a Pine Tree" is not so unlike one of Rembrandt's landscape drawings. The wonder here is that the craftsmen knew knew how to interpret these bald instructions, and to articulate Hiroshige's desired mood, even with further guidance by him at proof stage. With their collaboration, Hiroshige was able to exploit to the full the expressive and descriptive range of this notoriously difficult medium.

At the Royal Academy, London W1 until September 28, sponsored by the Nippon Foundation. Until July 26 the Mercury Gallery, 26 Cork Street, London W1, presents 100 woodblock prints from Hiroshige's "Famous Places in the Sixty-Odd Provinces" and the "One Hundred Famous Views of Edo".



A touch of the vapours: 'A Sudden Shower over Ohashi and Atake' from the series 'One Hundred Famous Views in Edo', 1856-8, by Utagawa Hiroshige

Theatre/Sarah Hemming

On walls within walls

Simon Block's *Chimps* relies on an old fashioned dramatic device – the stranger who reveals unwelcome truths. But Block makes such good use of the ploy in his hugely enjoyable and astute play, that we go along with it happily, savouring the way he twists an old idea to his own ends.

The intruders in this case, two men, are invited into the family home by Mark. Mark has recently bought a house with his pregnant partner, Stevie, but it is clear that their domestic bliss is growing shaky. Mark is an illustrator who, in order to work on his perfect book, has already walked out of one job and refused to take another – to the exasperation of Stevie, who is left to carry the mortgage. Moreover, Mark's insistance on preserving his integrity comes packaged with a rather reckless attitude to money. For Stevie, what was obviously charming in a college student is wearing less well in the "real" world. But they would doubtless rub along, were it not for the arrival of Gabriel and Lawrence.

As anyone who has watched any Pinter or Priestley will tell you, the arrival of a stranger – worse still, a pair of strangers – in your living room often bodes ill. To begin with, we suspect the suave Gabriel and affable, garrulous Lawrence of being con-men of the worst variety, likely to rob, kill or torture the young couple. But Block is cleverer than that. The men are indeed what they say they are – sales representatives for a particular house treatment – but this makes them no less sinister and no less capable of inflicting damage.

Spotting Mark's gullibility, they convince him that the bricks in his walls are crumbling and press their products upon him. Whether or not they can see cracks in the walls, they certainly spot the cracks in the true fabric of the home – Mark and Stevie's relationship – and they dig away at them ruthlessly. The drama reaches a climax with Mark ready to sign the couple up to a lifelong payment, while Stevie rages at the impenetrable wall of male "logic".

As a black comedy, the play is very funny and full of dramatic irony. Block has great fun with the salesmen's absurd patter, writes believable dialogue and has a good ear for rows. But he also builds up a fine portrait of a slippery modern world, and carefully considers the value of integrity, responsibility and trust. He adds a further twist to these issues through the relationship between the two salesmen. Though the urbane Gabriel appears the junior partner, the audience know that he is in fact test-driving his "senior" colleague to see if he makes the grade. Lawrence, 50 and redundant, has moral struggles of his own to contend with. What price his own integrity?

The play is well served by Gemma Bodinetz's beautifully paced production and excellent performances all round. As Lawrence, Nicholas Woodeson's timing is expert: he is wonderfully funny as he assures Mark that the walls of Jericho would not have come tumbling down had they been coated with his miracle paint, but, with just a sinking of the shoulders, you see the shame into which his own performance is pushing him. Fraser James is smooth and sharp as a knife as Gabriel and Darren Tighe is very good as the shambling, sincere Mark.

But the centre of the production is Ashley Jensen's splendid Stevie – a pillar of strength, sense and clear vision. She is genuinely touching as her exasperation develops into anger, then fear; she also makes one realise that, should she win against these men, Stevie's life will crumble around her.

Hampstead Theatre, London NW3 (0171 722 9301).

Alastair Muir

Nicholas Woodeson (top) with Darren Tighe and Ashley Jensen's splendid 'Stevie'

Theatre/Ian Shuttleworth

Puppets on a string

Two years ago the first production by West Yorkshire Playhouse's Community Company, *Pilgermann*, was a visually striking but dramatically sprawling and erratic affair. Its director, Michael Birch, is also at the helm of the company's production of *Vanity Fair*, adapted by David Nobbs, and with similar results.

Simplicity and grandiosity jostle with one another on stage. The company dress entirely in white, donning only black waistcoats or skirts to signify the gender of the characters they play in a particular scene. Roles are as often as not cross-cast: the upright Amelia Sedley is played by a young man, both her husband George Osborne and her timid suitor William Dobbin by women. After her or his scene in Nobbs' episodic adaptation is over, the performer removes the garment and melts back into the larger company, which remains on stage throughout, playing extras, working as a mute chorus or engaging in atmospheric movement.

This is where lives grow difficult. The programme provides a list of three dozen or so "Managers of the Performance", i.e. the company (they may or may not be actual performers) and a list of some 50 specified characters from Thackeray's novel, but does not link the two. Presumably this is intended to emphasise the community aspect of the project – there are to be no stars.

However, since the same performers consistently play the same parts, it seems somewhat misguided. It would be helpful to know, for instance, whom to praise as the discreet, self-effacing Dobbin, whom to sniff at as an over-languid, wooden Joss Sedley, delivering all his lines at the same leaden pace and with the same lack of vibrancy, and whom to be non-committal about as the self-serving anti-heroine Becky Sharp, doing all required of her by the director but never quite bringing the character to life.

Birch has taken his lead from Thackeray's preface to the novel, in which he refers to his characters as puppets, dolls and other such toys. Huge objects are wheeled and flown on and off-stage to symbolise particular characters: a six-foot high bust for Becky and an enormous playing card for her husband Rawdon Crawley, a vast balloon with breasts for the Irishwoman Mrs O'Dowd, and so on.

Sometimes attempts are made to make these items "interact," sometimes not; sometimes lines appear to be addressed to them rather than to the actors, sometimes not; sometimes things simply seem uncertain. However, it often feels as if Birch treats his actors equally as puppets: few performers imbue their performers with life, virtually all lines are over articulated and pacing is uniformly sluggish.

Three hours of such an approach is a lot to take. The production is technically impressive and the company's collective commitment equally admirable, but Birch's direction consistently sells them short as individual actors.

West Yorkshire Playhouse, Leeds until August 2 (0113 244 2111).

INTERNATIONAL

ARTS GUIDE

■ AVIGNON

THEATRE
Avignon Festival
Tel: 33-4-9014 1414
● Amphitryon: by Molière. One of two productions brought by Anatoli Vassiliev as part of a Russian season. Cast includes Valérie Dréville; at the Eglise des Célestins; Jul 22, 23, 25, 26, 27,
● Chambre d'Hôtel dans la Ville de Nn: adapted from Gogol and directed by Valeri Fokine; at the Usine Volponi; Jul 22, 23, 25, 26, 27
● Chant pour la Volga: The Battle of Stalingrad. Written, directed, designed, and performed with puppets by Rézo Gabriadzé; at the Chapelle des Pénitents Blancs; Jul 24, 25, 26, 27

■ BERLIN

EXHIBITIONS
Museum fur Moderne Kunst, Martin-Gropius-Bau
Tel: 49-30-2548 6714
The Age of Modernism – Art in the Twentieth Century: comprehensive survey which presents the art of this century in four self-contained sections. *Beginning with the explosion of* Cubism and the crisis of the avant-garde, the exhibition includes works by Picasso, Duchamp and Kandinsky as well as younger and contemporary artists; to Jul 27

■ LONDON

CONCERTS
BBC Proms, Royal Albert Hall
Tel: 44-171-589 8212
● BBC National Orchestra of Wales: with cellist Steven Isserlis, conducted by Tadaaki Otaka in works by Mendelssohn, Elgar and Bruckner; Jul 22
● BBC Symphony Orchestra: conducted by Andrew Davis in the world premiere of *Sea-Change* by Iannis Xenakis, and works by Prokofiev and Strauss. With pianist John Lill; Jul 23
● Paul Daniel conducts the Chorus of Opera North and the English Northern Philharmonia in Stravinsky's *Petrushka* and a semi-staged London premiere of Korngold's *Violanta*, directed by Nigel Lowery; Jul 24

■ NEW YORK

Lincoln Center Festival 97
Tel: 1-212-875 5030
CONCERTS
● The Intimate Pfitzner: musicians of the Center's Chamber Music Society, the Orchestra of the Royal Opera House and the NY Philharmonic join forces to present this evening of chamber music and songs by Hans Pfitzner, at the Alice Tully Hall; Jul 23
● *Expresiones Latinas*: seven-day festival of Latin and South American music, featuring musicians from Brazil, Mexico, Colombia, Cuba and Venezuela; at the Avery Fisher Hall; to Jul 27
● Pomerium: a cappella early music ensemble presents a pair of concerts designed to complement the festival's presentation of Pfitzner's opera. "Before the Council of Trent", Jul 20, features music by Palestrina and his predecessors; "After the Council of Trent", Jul 27, places his music alongside that of his contemporaries; both take place in the Alice Tully Hall; to Jul 27

DANCE
● The Royal Ballet at the Metropolitan Opera House: Ravel Mixed Programme, with choreography by Ashton, Macmillan and Christopher Wheeldon; Jul 22, 23, 25
● The Royal Ballet at the Metropolitan Opera House: Cinderella. Revival of Sir Frederick Ashton's ballet, set to Prokofiev's score; Jul 23, 24, 26

OPERA
Palestrina: by Hans Pfitzner – the Metropolitan Opera House is the setting for the New York debut of London's Royal Opera and US premiere of Pfitzner's opera, which tells the story of 16th century composer Giovanni Perluigi da Palestrina. Tenor Thomas Moser leads a cast of more than 40 in this production, seen at Covent Garden earlier in the year. The conductor is Christian-Thielemann; Jul 24, 26

■ ROME

CONCERTS
Accademia Nazionale di Santa Cecilia Tel: 39-6-6880 1044
Orchestra and Choir of the Accademia Nazionale di Santa Cecilia: conducted by Yuri Temirkanov in works by Borodin, Rachmaninov and Prokofiev; with piano soloist Dmitrij Alexeev and contralto Larisa Djadkova; Jul 24, 25

■ SALZBURG

Salzburg Festival
Tel: 43-662-844501
CONCERTS
● Camerata Academica Salzburg: conducted by Sándor Végh in works by Mendelssohn and Beethoven. With violin soloist Joshua Bell; at the Grosses Festspielhaus; Jul 25
● Vienna Philharmonic Orchestra: conducted by Seiji Ozawa in works by Berlioz and Schumann. With mezzo-soprano Susan Graham; at the Grosses Festspielhaus; Jul 26, 27

OPERA
Mitridate Re di Ponto: by Mozart. Conducted by Roger Norrington in a new production directed by Jonathan Miller, with sets by Peter J Davison. Bruce Ford sings the title role. With the Camerata Academica Salzburg; at the Kleines Festspielhaus; Jul 23, 27

THEATRE
● Der Alpenkönig und der Menschenfeind: by Ferdinand Raimund. Revival of Peter Stein's *production, with sets by* Ferdinand Wögerbauer. With music by Wenzel Müller; at the Landestheater; Jul 22, 23, 24
● Libussa: by Franz Grillparzer. New production directed by Peter Stein, with sets by Moidele Bickel. Libussa is played by Dörte Lyssewski; at the Perner-Insel; Jul 24, 25, 26

■ SANTA FE

OPERA
Santa Fe Opera
Tel: 1-505-986 5900
● Arabella: Janice Watson sings the title role of Strauss's opera, in a new production directed by John Cox. The conductor is John Crosby; Jul 23
● Ashoka's Dream: world premiere of Peter Lieberson's opera, with a libretto by Douglas Penick. Set in ancient India, it tells the story of King Ashoka's transformation from angry conqueror to enlightened governor. Conducted by Richard Bradshaw, in a production directed by Stephen Wadsworth; Jul 26

■ SCHLESWIG-HOLSTEIN

CONCERTS
Music Festival
Tel: 49-431-567080
Festival Orchestra: conducted by Hartmut Haenchen in works by *Brahms; the Stadeum, Stade;* Jul 23

■ TANGLEWOOD

CONCERTS
Tanglewood Festival
Tel: 1-617-931 2000
● Boston Symphony Orchestra: conducted by André Previn in works by Mozart, Haydn and Ravel, with violin soloist Pamela Frank; the Shed; Jul 25
● Boston Symphony Orchestra: conducted by André Previn in works by by Gould, Copland, Schumann and Gershwin; the Shed; Jul 26
● Boston Symphony Orchestra: conducted by Jeffrey Tate in works by Elgar, Beethoven and Brahms; the Shed; Jul 27

■ VERONA

OPERA
Arena di Verona
Tel: 39-45-800 5151
● Aida: by Verdi. Conducted by Nello Santi in a staging by Gianfranco de Bosio, revived by Susy Attendoli; Jul 24, 27
● Carmen: by Bizet. Conducted by David Gimenez, in a staging by Franco Zeffirelli. Agnes Baltsa and José Carreras recreate their famous double-act on Jul 19, 22 & 25
● Madama Butterfly: by Puccini. New production. Conducted by Angelo Campori, with designs by Beni Montresor; casts vary; Jul 23
● Macbeth: by Verdi. New production designed by Pier Luigi Pizzi, with choreography by Gheorghe Iancu. Conducted by *John Neschling; Jul 26*

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Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

Martin Wolf

The profit of prohibition

The $400bn-a-year illicit drugs trade is in many ways a normal business, but it has huge margins precisely because the industry is outside the law

This industry generates a worldwide turnover of some $400bn (£239.5bn) a year and satisfies the demands of more than 400m loyal customers. It is global, but operates locally through flexible franchises. It is risky. But those with the right skills and entrepreneurial abilities reap correspondingly huge rewards. It is the illicit drugs industry.

The production and sale of illegal drugs is a business. Its aim is to make money. It is not special because its products can harm consumers. The same is true of tobacco, alcohol and motorcycles. It is special because it is prohibited. The question is whether it should remain so.

The fact that the industry is illegal means entrepreneurs need some different skills to make a success of it. It also changes what it does to society. But it can be analysed with the standard tools of economics. A fascinating recent report from the United Nations International Drug Control Programme helps one to do so.*

The price of opium to a Pakistani farmer is $90 a kilogramme. The wholesale price of heroin in Pakistan is $2,870. Wholesale in the US, heroin is $80,000. The final retail price, at 40 per cent purity, is $290,000. Similarly, South American peasants receive $610 a kilogramme for their coca leaves. Cocaine base is $860, while cocaine hydrochloride is $1,500. Wholesale in the US, at 83 per cent purity, it is worth $25,250. As crack cocaine it is $50,000 to the consumer and as cocaine powder $110,000.

It is easy to see why the industry is so profitable. It is also easy to see why only 3-5 per cent of the income generated from final retail sales of illicit drugs returns to the countries of origin. Most of this limited share is absorbed by the domestic wholesalers and retailers. In Pakistan, for example, these groups receive some 90 per cent of the domestic retail price of heroin. Meanwhile, in the words of the report, "value added by trafficking outside Pakistan can easily amount to more than 90 per cent of the retail price in Europe or the US".

The business does bring some benefit to the economies of exporting countries. The UN estimates the share of the illicit drug industry in the gross domestic product of Peru in the early 1990s at 6 per cent, in Colombia at over 7 per cent and in Bolivia at over 9 per cent. It generates a much larger share of the exports of these countries. For Bolivia, Afghanistan and Myanmar, drugs were their most important exports.

Nevertheless, the big return is at the retail stage: one study estimates gross profit margins at retail level of methamphetamine, crack cocaine and heroin at 240 per cent, 300 per cent and 100 per cent of wholesale prices respectively. What makes the business so profitable is action by the world's governments to curb supply. The impact is to drive out weak competitors and raise prices.

The UN report notes that even though about one-third of all the cocaine trafficked has been intercepted in the 1990s, the industry has continued to expand. It also estimates that at least 75 per cent of international drug shipments would need to be intercepted in order to reduce substantially the profitability of drug-trafficking. Up to that point, the price-raising benefits of seizures exceed their costs.

Since the demand for illicit drugs is only modestly affected by price, the resultant higher prices mean greater revenue. That revenue accrues, in turn, to owners of the scarcest factor of production employed in the industry: the ability to organise and take risks.

Much of what the drug lords need to do is the same as for other businessmen – produce and distribute their products, arrange finance, analyse and develop demand, create new products to meet those demands and cope with competitors, customers and suppliers.

Compared with other businesses, they need not worry too much about the quality or safety of what they are selling. Anonymity protects them. But they face challenges that require special skills and attitudes. They must enforce contracts without benefit of the law, minimise the chances of seizure either of their shipments or their assets and launder their proceeds.

Not least, they must be willing to take gigantic risks. But that can itself be an enjoyable part of the business. Both the lowliest neighbourhood dealer and the people at the top of the business tree can enjoy a sense of achievement and satisfaction from successfully running big risks.

This then is a spectacularly profitable business, whose development is greatly assisted by a global economy with easy movement of people, goods and capital across frontiers. It satisfies millions of what the UN calls "abusers", but might be called loyal customers. It is a business with a symbiotic relationship between regulators and regulated: regulators limit supply and the regulated confront increased risks, but enjoy bigger profits. Last but not least, it is a business that rewards some truly dreadful people.

The illicit drugs industry also imposes what economists call "negative externalities" or "social costs". In exporting countries, the huge wealth enjoyed by a relatively small number of large-scale traffickers corrupts politics and the governmental machine, often including the police and the army. It can also offer a source of money for revolutionary groups and create a culture of violence.

Processing in exporting countries imposes substantial environmental damage. "Each year, using unsafe and illegal methods, cocaine and heroin processors dump vast quantities of toxic chemical substances and waste by-products . . . into countless small streams, rivers and water courses," argues the report.

Drugs money taints the global banking industry, especially in offshore centres. It corrupts governments, not only in developing countries, but also in high-income countries, particularly at the local level. The criminal justice system is among the first institutions to be corrupted, with serious adverse consequences for its legitimacy.

In many countries, drug injection has become an important way HIV/Aids is spread. Worldwide some 22 per cent of people infected with this disease are drug injectors. Yet it is largely because drugs are so expensive that people inject them. It is for the same reason that many users resort to petty crime or prostitution.

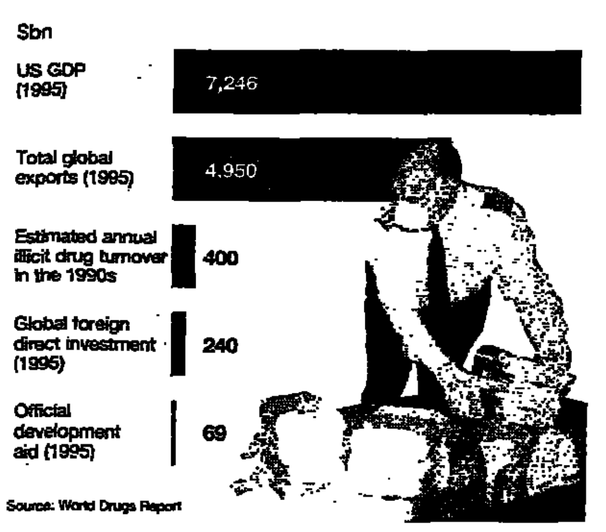
Inevitably, the profits offered by trafficking in illegal drugs entice people into crime: in the US, violators of drug laws made up 61 per cent of federal prison inmates in 1993, up from 38 per cent in 1980.

In the US, illicit drugs-related deaths are estimated at about 20,000 a year, substantially less than the 100,000 a year for alcohol and 400,000 for tobacco. More important, a high proportion of these deaths occur because of poor quality drugs, overdoses and drug-related crime.

What is most striking about all these various costs is that they arise not because of drugs in themselves, but because they are illegal. They are the consequence of prohibition. But if the vast effort at drug control increases the industry's profitability, while so many of the negative effects of illicit drugs result from their illegality, should they be prohibited in the first place? That is the big policy question. It is one I will address next week.

World Drug Report (New York, OUP, for the United Nations Drug Control Programme, 1997)

World international drug trade in context



Source: World Drugs Report

Personal View • Robin Davies

For credibility's sake

Aid to Bosnia must be linked to implementation of the Dayton peace agreement

After 19 frustrating months of international effort, Bosnia remains far from the durable peace envisaged by the US-sponsored Dayton Agreement.

Much of what was agreed at Dayton has not been implemented on the ground. Assurances that there would be freedom of movement and that displaced minorities could return home without being harassed are largely being ignored. A commitment by the authorities to help apprehend war criminals is not being honoured.

Many of those working in the field question whether the west is still committed to implementing Dayton's civic provisions. But on the assumption that the international community has not lost faith, new ways must be found to enforce the agreement.

All soft options have been tried. Donors continue to pour in large sums of unconditional finance for the reconstruction of Bosnia. For credibility's sake, this cannot go on.

The alternative, and only course consistent with the original international commitment, is to insist the peace treaty be upheld by all its signatories. Recent events in Cambodia should be an object lesson in the failure to pursue conflict-resolution to its proper conclusion. But to bring the recalcitrant parties into line in Bosnia would require a convincing policy weapon.

Full-scale military intervention after the UN's Somalia debacle can be ruled out. And, in spite of the dramatic arrest 10 days ago of two indicted war criminals, the multilateral Bosnia Stabilisation Force (SFor) remains averse to risk.

The only realistic weapon is economic. And since sanctions take too long to bring about the desired result, the most effective tool is "economic conditionality". This is shorthand for using – or threating to use – financial instruments to bring about a change in material conditions and attitudes. Practically speaking, it means giving or withholding grants and low-cost loans.

Conditionality has four clear advantages: immediacy, flexibility, specificity, and low cost. The latter may suit an international community seemingly bent on fixing problems on the cheap.

Some sort of action is urgently required. Mr Radovan Karadzic, the former Bosnian Serb president, continues to manipulate events behind the scenes. As an indicted war criminal he was specifically barred from all political activity in Republika Srpska.

Yet Mr Karadzic appears determined to undermine Mrs Biljana Plavsic, the elected president. Her attempts to crack down on corruption have been routinely blocked by Mr Karadzic who wields enormous economic influence in the republic. If he succeeds in destroying Mrs Plavsic it would be a huge blow for the west. Irrespective of her hardline views on ethnicity, Mrs Plavsic was legitimately elected.

If she were overthrown, it would not only be a disaster for international credibility in Bosnia. It would also give the green light to those determined to turn the republic – one of the two entities making up Bosnia – into an independent statelet.

The pre-requisites to stop this happening by applying economic conditionality are already in place. Most of the former belligerents are in dire economic straits and depend on sustained external assistance. With unemployment at socially disruptive levels and people disaffected by the lack of a peace dividend, no political leader dares risk any slowdown in economic recovery.

Most important is the sheer weight of the financial assistance on offer by donors – $5.3bn (£3.17bn) over three years. This is an enormous carrot relative to the ability of Bosnian parties to find the necessary resources themselves.

The question should no longer be whether to implement conditionality, but when and how. In my view, it should be done immediately. This way, the policy could have an impact on this September's critical municipal elections.

There should be a three-pronged approach. First, the entities' authorities should be obliged to take immediate practical steps to prove compliance with such vital stipulations as freedom of movement, harmonisation of property legislation and the immediate handing over of indicted war criminals.

Second, specific municipalities at local government level must be told to guarantee the safe return of minorities, stop wanton destruction of houses and cease inflammatory propaganda. Third, war criminals should be targeted whenever there is reasonably conclusive evidence that they continue to exercise power. Exposing ill-gotten gains from war and current profiteering of party leaders can also help undermine their influence. The three approaches are far from mutually exclusive; they should be used simultaneously.

If multilateral intervention in former Yugoslavia is not to end up mirroring the failures of the massive UN operation in Cambodia, guarantor states must act quickly. They must do this before the multinational peacekeeping force ends its mandate next June.

If action is not taken, it will be hard to convince taxpayers of the justification for continued aid. It will become all too apparent that the international community has run out of credible options. That could lead to disaster. Economic conditionality must be given a try.

The author is an economist working with the International Crisis Group in Sarajevo

·LETTERS TO THE EDITOR·

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Translation may be available for letters written in the main international languages.

Western Europe's moral duty to aid east in enlargement of EU

From Mr T. Thaddeus Hutyra.

Sir, Enlarging Nato and the European Union eastward is a very complex matter of bringing security to the countries of central and eastern Europe, assuring certainty for and development of their new-found democracies and free market economies, letting them join the western club of modern societies, and putting a final stamp on the historic victory of the free world over the communist system in the longest-ever cold war.

It is, therefore, a moral obligation for western Europe to do this on behalf of eastern Europe as the US did for western Europe half a century ago – and not a "nightmare" as some opponents say.

This is how I envisage a new status quo in Europe.

**T. Thaddeus Hutyra,
Frederik de Merode Straat 1,
2600 Berchem,
Antwerp,
Belgium**

Agreement has resolved genes dispute

From Mr R. Scott Greer.

Sir, In response to a letter headlined "Moves to patent genes fraught with dispute and high costs" (July 16), regarding patent battles in the biotechnology industry, I would like to address some comments that were made regarding the patent litigation that took place between Cell Genesys Inc., of Foster City, California, and GenPharm International, of Mountain View, California.

Abgenix Inc., Cell Genesys's subsidiary, and GenPharm signed an agreement in March 1997 which resolved all litigation and claims between the parties. They signed an agreement to cross-license all issued and related patents which enhances each company's ability freely to commercialise their respective technologies for fully human monoclonal antibodies.

**R. Scott Greer,
president and chief executive officer,
Abgenix Inc,
7601 Dumbarton Circle,
Fremont, CA 94555, US**

Debt problem good argument for gold

From Mr Rainer Müller.

Sir, Unfortunately, Fringe Freddie forgot to mention the most bullish argument for gold ("My Pacific basinful", July 19/20).

While inflation seems to be under control at the moment politicians and other bureaucrats have failed to improve the debt problem in almost every country in the world. After more than six years of economic growth the US could not lower national debt in relation to gross domestic product significantly. Instead of inducing spending cuts politicians are always delaying unpopular measures into the future.

The next recession will show that the politicians live in a dream world. Countries like Japan, Italy and Germany, with their fatal demographic situation, are hopeless cases anyway. Now, how can politicians of extremely indebted countries claim that their currencies are solidly secured by holding money reserves of equally deadbeat economies. That is the same as laying several ill persons in the same bed in order to get one healthy person.

Instead of buying gold and producing capital gains, central banks are shooting themselves in the foot. After all, it's more fun gambling with currencies against hedge funds.

**Rainer Müller,
Munstermannskamp 8A,
21335 Lüneburg,
Germany**

Real cause of volatility

From Mr John Wells.

Sir, Patrick Foley's research (Letters, July 14) does not show that discretionary fiscal action is destabilising. The fact that the UK demonstrated the greatest macro-instability of all industrial countries during 1980-96 is the key result. But, since discretionary fiscal activism was specifically eschewed with, for example, the MTFS (medium-term financial strategy) and the "balanced budget" (over the cycle) rule, it is hard to attribute the UK's excess volatility to fiscal activism. Increased reliance on monetary policy, interacting with the exchange rate, must bear much of the blame for the UK's exceptional volatility during the Tory era.

Fiscal action could still serve to mitigate the impact of the twin shocks dealt to the economy by demutualisation and the pound's appreciation. A tax or forced loan on windfalls could be implemented rapidly as could a hike in Value Added Tax to 20 per cent – thereby addressing the criticism that tax increases impact with a long lag. Moreover, news and expectations – of rising interest rates – are such powerful drivers of the forex market, that the announcement effect on sterling of discretionary fiscal tightening could be appreciable.

**John Wells,
faculty of economics and politics,
University of Cambridge,
Cambridge, CB3 9DD, UK**

Sting rights not sold, but licensed for period of time

From Mr Miles Copeland III.

Sir, I read with interest your article "EMI in £20m publishing deal" (July 18) relating to the EMI publishing deal with Sting and though an experienced publishing person may have gleaned the correct nature of the deal, the average person (and even some publishers who have been telephoning me) would have understood the words "sold the global publishing rights to his songs" to mean just that. One publisher in fact called in a complete panic convinced that if he had missed the opportunity to buy the Sting catalogue he would certainly be fired. In fact, Sting has not sold his songs, but simply licensed them to the world's largest and foremost music publisher for a period of time.

In the past he has had similar licensing deals with a number of publishing companies around the world to provide publishing administrative services. With Sting's continued and international publishing success and the increasing use of his songs by other artists, it became apparent that by aligning ourselves with one company we could better and more efficiently cover his publishing needs.

Sting's songs are very personal to him and he would never, and certainly not for money, ever sell them to anyone. In this EMI deal he continues to own, outright, all of his copyrights.

**Miles Copeland,
manager of Sting,
Firstars Management,
1 Water Lane,
Camden,
London NW1 8N2, UK**

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FINANCIAL TIMES

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Tuesday July 22 1997

Mr Jospin's deficit plan

The deficit-cutting which the French government announced yesterday may bring the country within striking, or rather negotiating, distance of qualifying this year for European monetary union. But the politically convenient nature of the measures, which raise taxes on companies by twice as much as they cut general spending, leaves a big question about the socialist government's capacity to keep France within the Emu guidelines, if and when it gets there.

Even in making this relatively modest cut in public spending Prime Minister Lionel Jospin is reneging on his election campaign pledge that there would be "no new austerity plan" for the sake of getting France into Emu. Indeed, French leaders are increasingly finding Maastricht incompatible with the promises they have to make to get elected.

Two years ago, Jacques Chirac won the presidency by giving the fight against unemployment priority over deficit reduction, then promptly had to reverse his strategy. Now, Mr Jospin is having to stand his very similar election promise on its head.

With more than half the Emu-qualifying year of 1997 gone, the government argues it is too late to do much about spending: what is spent cannot be unspent. Loading deficit reduction on to corporate taxes offers the advantage of taxing company profits and capital gains for the whole of 1997. Even so, the government is wrong to depend so much on further tax rises in an already over-taxed economy. And yesterday it was worryingly vague about where the FFrs10bn spending cut would come.

The government can, of course, blame the deficit drift on its predecessor. That was the political point of yesterday's public finance audit that showed this year's deficit running at 3.5-3.7 per cent of gross domestic product. The new measures are aimed at bringing this down to 3.1-3.3 per cent of GDP. But this may still not be enough to avoid acrimonious disputes over who qualifies for Emu.

In terms of domestic politics, yesterday's fiscal measures were astute: soaking big profitable companies (small and loss-making firms will escape) will appeal to Mr Jospin's Communist allies. But next year the task will not be so easy. Mr Jospin cannot escape putting his coalition to the test as he prepares the draft 1998 budget to be unveiled in September.

The corporate tax rises are to carry over into 1998 and beyond, but next year there will be no pension-related rebate from France Telecom, which this year chopped the equivalent of 0.45 per cent of GDP off the deficit. If Mr Jospin is to show that France's deficit reduction is sustainable – as Maastricht requires – he must take an axe to public spending.

Banks merge

Germany has a surfeit of banks and their return on capital is substantially below the levels achieved in the US or UK. Yet for want of a more active takeover market it has taken a long time for the industry to consolidate. Hence the importance of the proposed merger between Bayerische Vereinsbank and Bayerische Hypo-Bank, which would create the second-largest bank grouping in Germany. Coming in the wake of the planned merger of Bankgesellschaft Berlin and Norddeutsche Landesbank, it suggests that concentration is now firmly under way in the upper reaches of the system.

Since Deutsche Bank announced last year that it held 5.2 per cent of Bayerische Vereinsbank, the question has been one of who fits best with whom. The merit of a merger between the two big Bavarian banks is that it offers far greater scope for efficiency gains than the other obvious permutations. More specifically, the geographical overlap between the two banks' operations leaves ample scope for cost-cutting.

This follows the well-established pattern of US super-regional bank mergers. The focus in the present case will be on retail banking, asset management and corporate finance and treasury services for Mittelstand companies. Expensive ventures into investment banking are ruled out.

But since German cultural rules apply, the cost-cutting will be gentle. What Lloyds-TSB achieves in two years in the UK will take five years in Germany. On reflection the model is more akin to the combination of ABN and Amro in the Netherlands than a US bank merger driven by shareholder value concerns.

The fragmented structure of the German banking system, with more than 3,500 banks, means that the planned merger is unlikely to raise problems with competition policy. Nor will concentration necessarily intensify the potential conflicts of interest that arise from German banks' holdings of share stakes in industry and commerce.

In a neat twist, Vereinsbank, advised by J.P. Morgan, is disposing of a majority of its share stake in Allianz, the Munich-based insurance giant, as part of the consideration for the deal. As well as being tax-efficient, this reduces the amount of equity it distributes to Hypo-Bank shareholders while increasing earnings per share and the return on equity.

That is a formula which will no doubt be used elsewhere. It suggests that the coming rationalisation in financial services will have big implications not just for the banks but for corporate governance as well.

Student loans

The UK government this week faces the biggest decisions about the future of higher education for more than 30 years. The large rise in student numbers over the past decade and the pressures on government spending make it inevitable that students should be asked to contribute to tuition as well as maintenance.

But in breaching the principle of free tuition the government needs to be clear what it is doing. It needs to ensure that the best of British universities remain among the world's elite and that they can attract the best students, including those from poorer backgrounds.

It has to acknowledge that the myth which could be sustained when the UK had 44 universities – that all universities were equal – can no longer hold now that there are more than 100.

In addition, as students borrow to meet their new obligations, the government must find a way of ensuring that the loans are made by the private sector. Without that, the change will have little impact on public spending pressures in the short to medium term. Repayment must therefore come through an income-related system with a threshold below which no repayment is made.

It also means recognising that once students are paying something towards their fees, higher education will look more like a market. Universities will have to be allowed to charge additional top-up fees. Greater differentiation among universities will mean greater differences in course costs and research bases, which means that the better universities are likely to need to charge more.

The price for this new found financial freedom, however, is an absolute duty on both government and the universities themselves to create the wide range of scholarships and bursaries needed to ensure that access remains open to all the talents, not just those of the middle classes and above.

Finally, if the Dearing report and the government's decisions are to help universities overcome their looming financial crisis, the money released needs initially to stay with higher education. For the medium term, however, government should actively review the balance of its spending between the various sectors of education, ranging from nursery to university and including further education.

The likely conclusion that more must be spent in the lower tiers will create further pressure for differential fees between universities – even if the government achieves its aim of spending a larger share of GDP on education. It is a change the government will eventually have to accept.

Goodbye Mr 10%

John Mason and Guy de Jonquières on the hurdles facing efforts to eliminate bribery and corruption in international business

The world's richest countries are preparing an unwelcome Christmas present for those who profit from corporate sin. They aim to agree an international treaty, followed by other tough measures, to clamp down on companies that win business by bribing foreign politicians and officials.

Detailed negotiations on the package began this month in the Organisation for Economic Co-operation and Development. It wants to enact a treaty and national legislation to criminalise the payment of kickbacks, end their tax deductibility and subject companies to stricter financial disclosure.

The proposed measures owe much to sustained diplomatic pressure by the US, one of the few countries to have outlawed bribery of foreign officials. Since the law took effect almost 20 years ago, the US has complained that its exporters have lost business to less scrupulous competitors from Europe and elsewhere.

The issue is also commanding closer attention from the World Bank and the International Monetary Fund, which see it as a big obstacle to economic development and effective governance. The World Trade Organisation recently launched talks on proposals to combat bribery by increasing transparency in public procurement.

Many companies appear to share these worries. In a recent survey commissioned by the World Bank, international executives named corruption as the biggest obstacle to doing business in Latin America, the Caribbean and sub-Saharan Africa.

The exact scale of bribery and its impact on global economic activity is unknown. The World Bank says that if bribes equalled just 5 per cent of inward direct investment and imports into developing countries – where the problem is most acute – they would total almost $80bn (£48bn) annually.

Corruption has become more widespread in such economies as China and Russia since they opened up to international trade and investment. Mr Michael Wiehen of Transparency International, an anti-corruption pressure group, says the going rate for bribes has soared: "'Mr 10 per cent' has ballooned into 'Mr 30 per cent' in many countries."

European companies are balking at paying such inflated kickbacks, according to Professor Marc Pieth, the Swiss chairman of the OECD negotiations. "There has been a big shift. Companies are now prepared to say no."

A spokesman for one large German company frequently tainted by bribery allegations says it makes commercial logic to end corruption. "There is already enough price erosion in this industry; we need to end the costs of bribery too."

Government attitudes may also be changing. One notable convert is Japan, which strongly supports the OECD plan after years of resisting it. Tokyo's shift coincides with its own efforts to shed its reputation for widespread corporate corruption.

These encouraging signs aside, drawing up an effective set of anti-bribery measures – not to mention getting all OECD members to agree to them – looks a tall order. Although leaders of the G7 industrialised countries have blessed the talks, enthusiasm varies.

France and Germany harbour the biggest reservations, arguing that it will be difficult to establish rules respected by all. Some critics suspect them of reluctance to give up dubious export-promoting business practices, though Germany has recently proposed legislation to end tax-deductibility of bribes.

Partly because of differences between governments, some important features of the plan remain vague. It is unclear, for example, how the OECD's proposed disciplines would be policed if they do take effect, and what – if any – sanctions would be imposed on offenders.

Even backers of the OECD initiative concede it is unlikely to be legally watertight. Inspired by the US Foreign Corrupt Practices Act passed after the Lockheed bribery scandal in the early 1970s, it has several loopholes. The act's provisions can be evaded, both legally – for example by linking business contracts with help for aid projects – and illegally, by setting up joint ventures, with the non-US partner paying the bribe.

The point of the initiative, says Prof Pieth, is not to jail as many chief executives as possible, but to change corporate culture. In the US, passage of anti-bribery legislation has prompted many companies to establish codes of conduct and train staff to ensure that its provisions are met.

But efforts to extend anti-bribery measures are likely to face huge legal hurdles. Mr David Wood, head of international trade at the UK's Confederation of British Industry, says agreement on what are normal or abnormal payments will present problems. Nor will reaching a workable definition of who constitutes "public official" be easy.

Another problem, according to Mr Danforth Newcomb, a partner with US law firm Shearman & Sterling, would be introducing effective legislation across all the OECD's varied members; Mexico, for instance, is regularly beset by massive corruption scandals.

But, says Prof Pieth, if the initiative were backed initially only by G7 governments and other big industrial countries such as Switzerland, Norway, the Netherlands and Korea, it would cover about 70 per cent of world trade. Other countries could join later.

This approach may be seen as too piecemeal. That in turn would risk deepening reservations among businesses prepared to comply with the OECD treaty that they would simply lose business to competitors that continued to pay bribes.

Another shortcoming of the initiative is that it aims to control bribery by addressing the supply side. There is no attempt to curb demands by officials in many developing countries who have come to see such payments as an essential perk of office.

Admittedly, that part of the problem is far from easy to solve. The World Bank argues that corruption in many developing countries stems from severe deficiencies in the apparatus of the state, which can be remedied effectively only through sustained and sweeping reforms.

If the OECD succeeds in putting flesh on the bones of its anti-bribery initiative, it will have made a useful start in tackling the problem. But if the world's richest democracies are unable to agree among themselves on what to do, they can hardly blame poorer countries for failing to take action.

With additional reporting by Gillian Tett in Tokyo, Graham Bowley in Frankfurt and Robert Chote in London

Other recent international anti-corruption initiatives

● Inter-American Convention against Corruption: Signed last year – but not yet ratified – by 21 members of the Organisation of American States. Provides for criminalisation of bribery and various domestic reforms

● World Trade Organisation: Agreed last December to study proposals to increase transparency in government procurement

● World Bank: Tightened guidelines for public procurement contracts last year, including provision for sanctions on borrower countries and companies which engage in corrupt practices

● International Monetary Fund: Drawing up guidance for staff on practical measures to combat corruption and promote good governance in member countries

● International Chamber of Commerce: Last year approved a strengthened code of conduct on illicit payments, which member companies will be asked to respect

IBM's tale of woe

US officials visiting Argentina ritually urge the government to crack down on corruption. All the more embarrassing then that the country's biggest alleged corporate corruption case centres on IBM Argentina, the wholly owned subsidiary of International Business Machines of the US.

The company stood accused of agreeing a $37m (£22m) bribe to secure a contract in 1994 to computerise the 500-plus branches of state-owned Banco Nación, the country's biggest bank. An appeals court last week overturned bribery charges and arrest warrants issued in May against former IBM Argentina and Banco Nación executives. However, the lesser charge of fraud against the executives remains in place.

All of IBM's recent public contracts in Argentina are now subject to judicial or congressional investigations. IBM executives are regularly called in for questioning. The scandal illustrates the pitfalls faced by international companies when tendering for high-value projects, which are often in the gift of local interconnecting business and political interests.

In Argentina's case this is accompanied by weak legal controls and a culture in which ordinary individuals, never mind multinational companies, regularly employ middlemen and "fixers" to cut through the impenetrable bureaucracy. The federal judge investigating the IBM scandal, Mr Adolfo Bagnasco, alleged that a $37m bribe had been concealed in a sub-contract between IBM Argentina and a tiny local consultancy called CCR to provide a back-up computer system.

IBM denies offering bribes and maintains that no one in the US knew about the CCR sub-contract. "We said at the time that internal business controls and procedures were not followed by the highest executives of IBM Argentina," says Mr Fred McNeese, IBM spokesman in New York. "Those executives were fired in September 1995."

The withdrawal of the bribery charges has come as a blow to Mr Bagnasco. But opposition politicians are clamouring to have the charges reinstated. IBM's Argentine troubles do not appear to be over yet.

Ken Warn

· OBSERVER ·

Ludwig's legacy

■ The planned merger of Hypo-Bank and Vereinsbank looks like a successful third attempt to bring the Bavarian duo to the altar. In the 1950s, faced with the resurgence of the pre-war Big Three – Deutsche Bank, Dresdner Bank and Commerzbank – Vereinsbank's chief executive, the splendidly titled Baron Hans Christof Freiherr von Tucher, suggested that the great Munich banking rivals join forces to claim a place in the top league.

Nothing came of it, but the two got into serious talks in 1969, which all fell apart in 1971 because Hypo-Bank didn't much like the state of Bavaria's insistence on Bayerische Staatsbank being thrown into the pot. This left the way clear for Vereinsbank to pick up Staatsbank for a bargain price.

The rivalry between the two is an old one. Hypo-Bank was promoted by King Ludwig I of Bavaria in 1835, while the 1869 licensing of Vereinsbank was one of the few dull and worthy acts of his grandson, the mad Ludwig II, who sponsored Wagner and peppered the countryside with grandiose fairytale castles before his mysterious drowning.

But there's still one decision to be made before the hatchets can finally be buried: who is to be the head of Germany's second-largest financial institution. Yesterday's announcement left the question unresolved, and both Hypo-Bank chairman Eberhard Martini and Vereinsbank boss Albrecht Schmidt are in the running.

Guest appearance

■ Pity Australian foreign minister Alexander Downer when he jets into Kuala Lumpur on Saturday for the Asean regional forum, arguably south-east Asia's biggest diplomatic shindig of the year.

His hosts will still be smarting from the weekend leak of a document written by an Australian government official which – amid claims about ministerial honesty, competence and drinking habits in Pacific island nations – accuses Malaysian logging companies of corrupting several governments around the region. There's been noisy fury from the island groups concerned, but Malaysia yesterday contented itself with a po-faced denial.

New Zealand also refused to get excited over the paper's description of deputy premier Winston Peters as an opportunist and a "loose cannon". Prime minister Jim Bolger says he'll "be charitable and treat it as the view of a low-level official and leave it at that".

The affair isn't likely to help overcome Asian countries' perceptions of Australia as something of an outsider in their counsels, and one which has upset Malaysia before – in 1993, the then premier Paul Keating apologised after describing his Malaysian counterpart Dr Mahathir Mohamad as "recalcitrant" for not attending a Pacific talkfest. Downer's plight won't be helped by his famously poor showings in the golf matches which are so much a feature of Asean leaders' gatherings.

Party animal

■ Disrespectful Turks are beginning to compare their parliament to the football transfer market, with MPs drifting from party to party with little apparent concern for matters ideological.

The current champion switcher is Kubilay Uygun, who's managed to confuse even Ankara's lobby correspondents – past masters at tracking peripatetic politicians – with five changes in allegiance since the December 1995 elections. First he fluttered between the conservative True Path party – then part of the ruling coalition – and the Democratic Left. Disillusioned with both, he migrated to the far-right Nationalist Action, only to be booted out for supporting the new left-right minority coalition against party instructions.

His search for a new home shouldn't be too hard: Turkish MPs have recently been setting up splinter groups and new parties with remarkable diligence and are always in the market for new members.

Quick change

■ Gil Amelio's sudden downloading as Apple Computer boss a week ago forced heavy-duty corporate software company Computer Associates into a last-minute rejig at last week's annual CA World show in New Orleans. It replaced him as a speaker, but didn't have time to rejig the opening multimedia extravaganza, which featured Amelio extolling the virtues of CA as a partner.

Flagging

■ So are the Swiss facing an identity crisis after years of economic stagnation and endless revelations about the country's wartime dealings with the Nazis? Sales of the national flag have been so weak ahead of the country's national holiday on August 1 that flag manufacturer Keller Fahnen has halved the price of both flags and flagpoles.

The Financial Times

100 years ago

Travels In The Gold Fields

From A Wandering Correspondent: I am foolish enough not to believe much in railways, especially in a country like West Australia. If anyone is rash enough to want to go from Menzies to Lawlers, let him drive a buggy and pair, as I did. He will not want to repeat the journey. Camping out is a beautiful ideal existence, no doubt, but to be three weeks without washing oneself, to eat tinned dog, to sleep under a mulga bush wrapped in a possum rug, to catch one's horses every morning, and do all the other hateful things necessary to existence in West Australia, only ends in a disordered liver and premature old age.

50 years ago

The Clipped Press

This is a memorable day in British journalism. Today, hundreds of thousands of readers of newspapers (including some with world-famous names which did not reprint "Forever Amber") will find them unobtainable for love or money. Many millions of other readers have found their morning paper reduced, after two years of peace, to Dunkirk dimensions. The economic case for newsprint restriction will not bear a moment's examination.

FINANCIAL TIMES
Tuesday July 22 1997

Corruption fighter set to be S Korean leader

By John Burton in Seoul

Mr Lee Hoi-chang, ex-prime minister and a former judge, is set to become South Korea's next leader after being nominated yesterday as the candidate of the governing New Korea party to succeed President Kim Young-sam.

Presidential elections will be held in December. According to opinion polls, Mr Lee, who has a reputation as a Mr Clean in a nation plagued by corruption, leads two veteran opposition leaders, Mr Kim Dae-jung of the centre-left National Congress for New Politics, and Mr Kim Jong-pil of the conservative United Liberal Democrats.

Mr Lee, 62, in a dramatic contest that went to a second ballot, beat off a strong challenge for the nomination from Mr Rhee In-je, a young provincial governor who is a protégé of President Kim. Mr Lee has had testy relations with the president, who has suffered a sharp fall in popularity due to an economic slowdown and scandals that have engulfed his administration, including the arrest of his son for influence-peddling.

Mr Lee is considered the strongest supporter among the three main presidential candidates of a more open market economy. In his acceptance speech last night he called for greater deregulation of Korea's *dirigiste* and protectionist economy.

His nomination represents a break from the traditional domination of Korean politics by a small entrenched elite of professional office-holders.

Mr Lee's rise to prominence has been rapid since he led an anti-corruption campaign as head of the government audit and inspection bureau when Mr Kim became president in early 1993. Mr Kim appointed him prime minister in late 1993, but the two soon fell out and Mr Lee was sacked after he criticised the president for being autocratic.

The incident increased Mr Lee's popularity as a man of principle. When the government party faced a difficult parliamentary election last year, the president was forced to recruit Mr Lee to head a campaign that proved successful, with Mr Lee becoming an MP in his first elected office.

As Mr Kim became mired in corruption scandals earlier this year, he was again forced to rely on Mr Lee by appointing him party chairman in an attempt to present a clean image to voters.

The outcome of yesterday's congress had been uncertain because of new rules giving delegates more power to select the candidate. In the past the nominee was clearly known in advance as a result of back-room dealing.

Philippine brewers at war over hoarding of bottles

By Justin Marozzi in Manila

An increasingly bitter beer war in the Philippines took a new turn at the weekend when one of the two combatants accused the other of kidnapping its bottles.

A police raid on a San Miguel brewery revealed that the country's largest brewer was indeed holding 300,000 cases and 5.4m empty bottles belonging to Asia Brewery, its nearest rival.

Asia Brewery promptly launched a 112m peso ($4m) damages suit against San Miguel for alleged theft. San Miguel retaliated, saying it would file a counter-suit.

Asia Brewery, owned by Mr Lucio Tan, the Chinese-Filipino tycoon, has said San Miguel used "unjust, oppressive and high-handed methods" to squash competition.

San Miguel, with about 80 per cent of the domestic beer market – compared with 94 per cent in 1990 – described the raid as a "cheap publicity stunt" in response to its recent "Affordaboys" price-cutting campaign in which prices of its top brands were cut by 14 per cent.

"The Asia Brewery raiders, who included a SWAT platoon armed with Armalites, shotguns and other high-powered weapons, stormed through the brewery gates and threatened to disarm the San Miguel guards if they resisted," San Miguel said.

It also claimed that Asia Brewery had some 5,000 cases of San Miguel bottles.

Bitter conflict between the two brewers dates back to 1989 when Asia Brewery launched "Beer na Beer", a product strikingly similar to San Miguel's "Pale Pilsen" in both taste and design. A San Miguel suit against its rival was unsuccessful.

The dispute over the empty bottles has been heating up ever since the collapse in 1992 of the two companies' three-year-old bottle-swap agreement, whereby they exchanged each other's empties which retailers collected from customers. Brewers' costs rise sharply if they have to keep using new bottles rather than recycling old ones.

Even if the row over empties is resolved, the war seems set to go on. San Miguel's attempt last month to regain some domestic market share in a shrinking market by cutting the prices of its top-selling beers by up to 14 per cent left Asia Brewery's lead brand still 2 pesos cheaper than San Miguel's Pale Pilsen, its closest rival, which was cut in price from 10.5 pesos to 9 pesos. Overall beer volumes in the Philippines have fallen 10 per cent since 1990.

THE LEX COLUMN

Banking Allianz

For a deal brewed in Bavaria, the DM40bn ($22.20bn) merger of Bayerische Vereinsbank with Bayerische Hypo-Bank has a refreshingly Anglo-Saxon taste. The fit is excellent; the two have similar cultures and business mixes, consisting largely of low-risk mortgages and property finance. There is enough overlap to promise DM1bn of savings – 13 per cent of the combined cost base. That is less than the 15-16 per cent of comparable US bank mergers, but looks reasonable for Germany. The enlarged group should be able to raise its return on equity from 8 per cent to around 11 per cent.

The deal's structure adds to its attractions. The slightly larger Vereinsbank is paying for 45 per cent of Hypo-Bank with Allianz shares held in its investment portfolio. Since this counts as a block trade under German tax law, Vereinsbank can realise a DM7bn capital gain on the book value of its Allianz stake without a tax penalty.

The fact that German bankers are prepared to think this radically augurs well for further much-needed consolidation. But this merger was eased by the two banks' similar size and the backing of the mighty Allianz. Much depends, therefore, on others' ability to emulate this deal's elegant structure. If Deutsche Bank – also a Vereinsbank suitor and surely feeling a little jilted – could unlock some of its "industrial" stakes tax-free and use them to buy a rival, the opportunity would prove hard to resist.

Eurotrack 200 index
2256.5 (-63.6)

Emu

The best that can be said about the audit of French public finances is that it has removed, for now, the Armageddon scenario. Until yesterday, it remained possible that France's new government would favour its domestic agenda over qualifying for monetary union. That would have disqualified France from the first round of Emu, probably sounding the project's death-knell. But the pledge to cut its deficit to around 3.2 per cent of gross domestic product looks enough to keep the process on track.

That said, France has broken new ground by effectively admitting that it will not make the 3 per cent deficit target, while still pledging fidelity to Maastricht. This contrasts with the German view that 3 per cent means 3.0 per cent. A commitment to 3.2 per cent, though, may keep the Bundesbank – and a sceptical German public – quiet. Anyway, Germany is hardly in a position to play hardball given its own difficulties in meeting the 3 per cent target.

Yesterday's news has confirmed markets in their belief that Emu will be broad and flexible. But there could still be hiccups. Italy's participation, which France favours and Germany opposes, cannot be taken for granted. And France itself may need to take more stiff medicine – not so much to cut the 1997 deficit further as to convince Germany that the 1998 deficit will be within bounds. With Mr Lionel Jospin's government far from united behind budgetary rigour, this could yet spell trouble.

French equities

There is nothing like positive news about monetary union to sooth Europe's financial markets. Take France yesterday, where the government effectively announced that the corporate tax rate would be 42 per cent next year instead of 33.3 per cent. Admittedly, the market was braced for some bad news, but it still seems perverse that the CAC 40 index could finish virtually unchanged when company profits will be 12½ per cent lower next year than previously forecast.

Obviously, relief that Emu remains on track explains this move. Still, investors are turning a blind eye to inauspicious micro-economic developments. Company taxes, already higher than most European neighbours', are to rise by 15 per cent this year and next. And already rigid labour markets are being made more so as the government prepares to enter a fixed exchange rate scheme while promising a shorter working week and higher minimum wages. These are the very opposite of the sorts of structural reforms necessary if French companies are to become more competitive.

If there is consolation to be had, it lies in the creeping pragmatism of Mr Jospin, the prime minister. He has reneged on his election pledge not to take further austerity measures in order to qualify for Maastricht and a similar retreat appears to be under way on the privatisation front. Still, for investors looking to buy into a European restructuring story, Germany looks to offer better value.

UK lottery

New Labour wants to prevent the National Lottery operator making excess profits, while allowing decisions on which good causes receive lottery cash to be taken closer to the grass roots. One stone that could kill both birds is to abolish the lottery's monopoly on jackpot prizes. The government would still need to set the minimum sums to be paid to good causes and prizes as well as ensuring that the causes were genuinely good. But, beyond that, it could welcome as many lottery operators as want to set up shop.

Competition between rival operators would prevent excess profits. Abolishing the monopoly would also allow individuals a greater say in how lottery funds were distributed than the current quango set-up. Lotteries would compete not merely on the size of their prizes but on which causes they backed. One lottery, for example, might raise cash for the new Tate Gallery of Modern Art; another might back the creation of a network of sports clubs. People would play the lotteries which backed their favourite causes; the most popular would receive the most money.

This, one might have thought, would be precisely the sort of "people's lottery" Labour professes to want. Strange then that the idea is not even mentioned in yesterday's policy document. The problem, maybe, is that it would give too much power to the people. The government would not be able to dip into the lottery to supplement its own budget. But that would hardly be a bad thing.

Additional Lex note on United Utilities, Page 20

French tax increases

Continued from Page 1

with the Patronat employers' federation complaining that France had once again decided to make companies bear the largest part of the deficit reduction effort.

The new package followed publication of an independent audit of public finances indicating that the deficit would reach between 3.5 per cent and 3.7 per cent of GDP if additional measures were not taken.

The audit attributed the slippage from the previous government's forecast 1997 deficit of 3.0 per cent to tax receipts between FFr15bn and FFr17bn lower than expected and government spending between FFr12bn and FFr20bn above expectations.

Rupiah the new victim

Continued from Page 1

rupiah at the weak end of the band or allow the band to be widened. Its $21bn in foreign reserves are enough to cover five to six months of imports.

Many dealers believe the band will be tested, and economists said the cycle of depreciations in south-east Asia has become the prime force auguring for more depreciations.

The Malaysian dollar, or ringgit, declined yesterday to M$2.616 to the US dollar, down from M$2.6078 late on Friday. And the Philippine peso ended lower at 28.231 pesos to the US dollar, down from 28.142 on Friday when the IMF exercised emergency measures to provide Manila with $1bn in loans to help support the peso.

Future of Ulster talks uncertain in row over arms

By John Kampfner,
Chief Political Correspondent

The future of Northern Ireland's multi-party talks was in the balance last night after the Ulster Unionist Party, the largest pro-union party in the province, said yesterday it was preparing to vote against proposals that would allow Sinn Féin to participate before the IRA hands in weapons.

Mr David Trimble, the Ulster Unionist leader, said after a meeting with Mr Tony Blair, the UK prime minister, that he had not received adequate assurances.

But Mr Trimble promised his party would not walk out of the talks tomorrow when the British and Irish governments' position paper on the decommissioning of paramilitary weapons is put to the vote.

"If it comes to the vote we will vote against," Mr Trimble said. But this, he added, "should not mean the talks end".

Mr Trimble, who is coming under pressure from hardliners to give up on the multi-party process, said the Ulster Unionists would spend the next two months consulting political, business and social leaders on how best to proceed.

This was seen by British officials as a possible means of preventing a breakdown, allowing the Unionists to accept the terms before talks resume on September 15.

Mr Trimble's meeting with Mr Blair came hours after a Sinn Féin delegation was permitted to take up offices at the talks venue at Stormont, near Belfast.

The British and Irish governments have said that Sinn Féin can take part in the formal negotiations on their resumption in September.

This allows the governments a period to check the sincerity of the IRA ceasefire which began on Sunday.

However, the developments of the past four days have wrong-footed unionists and the governments and left Sinn Féin confident that it can secure many of its political objectives while making few concessions.

Mr Mitchel McLaughlin, Sinn Féin chairman, said all options were possible. "Tony Blair made clear no outcomes were predetermined and no options have been left off the table. Not only do we believe that a united Ireland will be on the agenda, but I can give you a guarantee that it will."

Ulster Unionists are angry at the Anglo-Irish paper setting out procedures for linking the handover of paramilitary weapons to broader political issues at the talks. The paper refers to "due progress on decommissioning" taking place alongside political discussion.

Mr Trimble said this would allow Sinn Féin to avoid a handover of arms. He complained he had not received a reply from the government to questions he had sent on June 30 on the arms issue.

Mr Blair is expected to discuss the problems again with Mr Trimble by telephone before tomorrow's vote.

FT WEATHER GUIDE

Europe today

Most of central and eastern Europe will have heavy rain, and this unsettled weather will extend west across much of Germany and the Benelux.

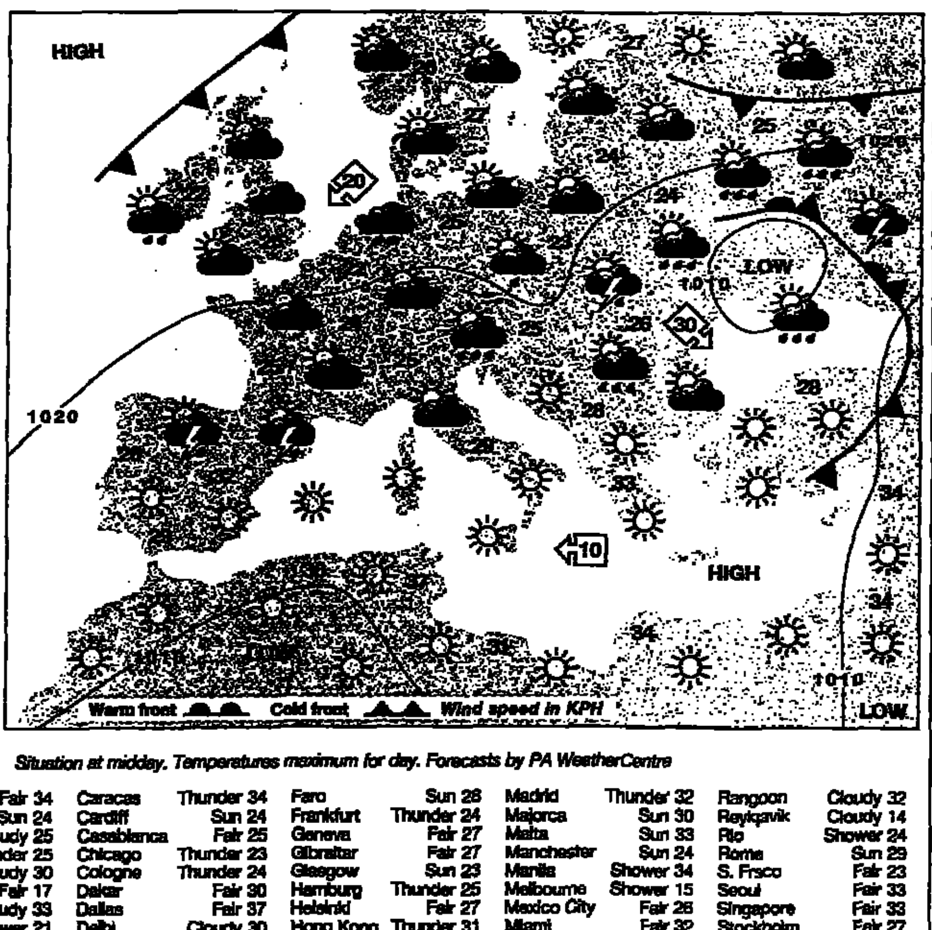
Denmark should be mostly dry with sunny spells, as will much of Scandinavia, although a few showers will develop over southern Norway.

The Alps, northern Spain and southern France will have a few showers or thunderstorms, but generally France and Spain will be dry and sunny. Italy, Greece and most of the Mediterranean will have clear skies and plenty of sunshine.

Five-day forecast

Showers and thunderstorms over northern Spain and France will move east towards Italy and more central parts of Europe by the middle of the week. Iberia is expected to become sunny and hot.

Eastern Europe will have further showers. Scandinavia will be mostly sunny, although it will be more unsettled in the far north.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

	Maximum	Beijing	Fair 34	Caracas	Thunder 34	Faro	Sun 28	Madrid	Thunder 32	Rangoon	Cloudy 32
	Celsius	Belfast	Sun 24	Cardiff	Sun 24	Frankfurt	Thunder 24	Majorca	Sun 30	Reykjavik	Cloudy 14
Abu Dhabi	Sun 41	Belgrade	Cloudy 25	Casablanca	Fair 25	Geneva	Fair 27	Malta	Sun 33	Rio	Shower 24
Accra	Fair 28	Berlin	Thunder 25	Chicago	Thunder 23	Gibraltar	Fair 27	Manchester	Sun 24	Rome	Sun 29
Algiers	Fair 36	Bermuda	Cloudy 30	Cologne	Thunder 24	Glasgow	Sun 23	Manila	Shower 34	S. Frsco	Fair 23
Amsterdam	Shower 21	Bogota	Fair 17	Dakar	Fair 30	Hamburg	Thunder 25	Melbourne	Shower 15	Seoul	Fair 33
Athens	Sun 33	Bombay	Cloudy 33	Dallas	Fair 37	Helsinki	Fair 27	Mexico City	Fair 26	Singapore	Fair 33
Atlanta	Thunder 32	Brussels	Shower 21	Delhi	Cloudy 30	Hong Kong	Thunder 31	Miami	Fair 32	Stockholm	Fair 27
B. Aires	Fair 16	Budapest	Cloudy 24	Dubai	Sun 42	Honolulu	Sun 32	Milan	Sun 26	Strasbourg	Fair 25
B.Ham	Fair 25	C.Hagen	Fair 24	Dublin	Fair 22	Istanbul	Sun 29	Montreal	Fair 27	Sydney	Fair 17
Bangkok	Thunder 34	Cairo	Sun 36	Dubrovnik	Sun 27	Jakarta	Fair 32	Moscow	Fair 25	Tangier	Fair 27
Barcelona	Sun 27	Cape Town	Sun 19	Edinburgh	Fair 21	Jersey	Fair 19	Munich	Thunder 25	Tel Aviv	Sun 34
						Karachi	Fair 38	Nairobi	Fair 25	Tokyo	Fair 30
						Kuwait	Sun 45	Naples	Sun 30	Toronto	Fair 26
						L. Angeles	Fair 26	Nassau	Fair 32	Vancouver	Cloudy 19
						Las Palmas	Fair 27	New York	Thunder 26	Venice	Sun 25
						Lima	Cloudy 25	Nice	Sun 27	Vienna	Shower 25
						Lisbon	Fair 26	Nicosia	Sun 34	Warsaw	Fair 23
						London	Fair 25	Oslo	Fair 26	Washington	Thunder 31
						Lux.Bourg	Shower 22	Paris	Fair 25	Wellington	Shower 12
						Lyon	Sun 28	Perth	Fair 20	Winnipeg	Fair 27
						Madeira	Fair 25	Prague	Shower 23	Zurich	Fair 23

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday July 22 1997
Week 30

IN BRIEF

Norsk Hydro slips 7% in first half

Norsk Hydro, Norway's largest quoted industrial group, reported first-half profits down 7 per cent at NKr3.04bn ($410m). The company blamed lower fertiliser prices and foreign exchange losses for the result. Page 19

Iberia to be privatised in two years
Iberia, the Spanish carrier in which American Airlines and British Airways are considering buying equity stakes, will be fully privatised within two years. Page 19

European IT deals at record level
Growing globalisation lay behind record merger and acquisition activity in the European information technology industry in the first six months of this year. A total of 707 deals were struck, worth $31bn. Page 20

Exxon up 25% in second quarter
Exxon, *the US energy group, reported a 25 per* cent rise in net income for the second quarter at $1.96bn. The company credited improved margins for the rise, and said sales were the highest for more than 20 years. Page 17

Siemens looks to profit rebound
Siemens, the German electrical and electronics group, is looking to a rebound in profits next year after announcing income of DM1.705bn ($940m) in the latest nine months. Page 19

Russian grain harvest improves
Russia is on track for a better grain harvest than predicted. Forecast grain production for 1997-98 may be as high as 80m tonnes, up from 70m tonnes in 1996. Page 24

First Union pays $3.25bn for Signet
First Union, the acquisitive North Carolina-based commercial bank, quickened the pace of US banking consolidation by buying Signet Banking of Virginia in a stock swap valued at $3.25bn. Page 17

Everbright issue to raise HK$840m
China Everbright, the business arm of China's State Council, plans to raise HK$840m (US$108.4m) through a one-for-four rights issue. The proceeds will be used to acquire stakes in two Shanghai property developments. Page 16

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Bay Hypo Bank	68.7	+	8.2
Falls			
Allianz	419.5	–	31.0
CKAG Colonia K	180	–	18
Porsche	2850	–	115
SGL Carbon	236.5	–	16.5
Siemens	113.6	–	5.25

NEW YORK ($)

Rises			
Lexmark Intl	28¾	+	2⅞
PHP Healthcare	16¼	+	1¼
Signet Banking	50⅜	+	14¼
Zilog Inc	24⅛	+	1⅞
Falls			
Kimberly-Clark	47¾	–	3⅞
Kubota Corp	89	–	8¾

LONDON (Pence)

Rises			
Adam & Harvey	335	+	22½
Jasmin	123	+	23
Pharmos	62½	+	7
Robert Walter	241	+	20
Falls			
Neepsend	31	–	7
United Ind	689½	–	69½

TORONTO (C$)

Rises			
Biomira Inc	8.55	+	0.45
Canadian Air A	2.8	+	0.4
Cinar Rec	7.0	+	0.5
Crystallex Intl	4.90	+	0.45
Falls			
Alda B	11.25	–	0.95
Allelix Bio	9.75	–	0.75

PARIS (FFr)

Rises			
Credit Natl	353.0	+	11.2
Pinault Printemps	2829	+	97
Falls			
Bertrand Faure	330.1	–	17.9
Dassault Sys	394	–	24
Union Immob Fr	401.0	–	14.5
Worms Cie	322.0	–	12.5

HONG KONG (HK$)

Rises			
Bk East Asia	32.9	+	0.8
Hang Seng Bk	115	+	4
Wing On	9.2	+	0.2
Falls			
CDL Hotels	3.65	–	0.20
Cosco Pacific	16.5	–	0.5
Hopewell	4.90	–	0.25

Bangkok and Tokyo closed. New York and Toronto prices at 12:30.

Bavarian banks to merge

Deal to create German number two

By Andrew Fisher in Munich

Two Bavarian banks are to merge in a deal which will create the second-biggest bank in Germany. The combination of Bayerische Vereinsbank and Bayerische Hypotheken-und Wechsel-Bank, currently fourth and fifth respectively, marks a further step in the consolidation of the German banking sector and was welcomed by investors.

Albrecht Schmidt (left) and Eberhard Martini Picture: Reuters

The shares of Bayerische Hypotheken (Hypo-Bank) rose by more than 16 per cent to DM67.74, while Vereinsbank's closed at DM87, up DM5.02.

The new bank, to be called Bayerische Hypo-und-Vereinsbank, will have total assets of DM743bn, ($412.7bn) putting it second behind Deutsche Bank and ahead of both Dresdner Bank and Commerzbank. It will employ some 40,000 people and have net income, based on 1996, of nearly DM1.6bn.

Vereinsbank is financing the deal through its 10 per cent shareholding in Allianz, the country's largest insurance company. Vereinsbank will retain about 1.4 per cent of this holding, but will use the remainder of its Allianz shares

Editorial comment ......Page 13
Observer ......Page 13
Lex ......Page 14

to implement the merger, offering Hypo-Bank shareholders one Allianz share for every six Hypo shares. The deal will give Vereinsbank a share of up to 45 per cent of Hypo Bank.

Vereinsbank also announced a capital increase of up to DM2bn. Analysts said that the deal also offered tax advantages which could prove attractive to other German banks and companies seeking to unravel a web of cross-shareholdings.

The market value of the Allianz shares that Vereinsbank is offering amounts to some DM8.5bn against an estimated book value of DM1.5bn. If the shares had been sold in the market, Vereinsbank would have been liable to pay tax on the difference.

The deal values Hypo-Bank shares at DM75 each, a premium of 28 per cent. Mr Albrecht Schmidt, chairman of Vereinsbank, said the deal would be "a merger of equals", although some analysts said it amounted to a Vereinsbank takeover. While restructuring costs would total some DM1.3bn, he said annual cost savings of DM1bn should be achieved in five years, more than half in the first three.

Neither he nor Mr Eberhard Martini, head of Hypo-Bank, would say how many of the banks' 1,200 branches in and outside Bavaria would be closed nor how many employees would be shed. They said that annually some 2,000 people are expected to leave both banks through normal natural wastage, but declined to confirm reports that up to 7,000 jobs would go.

Mr Eberhard Stoiber, Bavaria's prime minister, welcomed the deal, saying it would create a strong bank.

Question mark hangs over FOH flotation as boss flirts behind bank's back

Salomon silent as Ecclestone eyes up rivals

By Clay Harris and John Griffiths in London

What is Bernie Ecclestone up to? The motor racing entrepreneur, married since last year to one bank, has been caught twice in the past week flirting with others.

The public exposure of Mr Ecclestone's wandering eyes has embarrassed Salomon Brothers, the US investment bank which acts as his "exclusive financial adviser". The bank also has increased doubts about plans to float Formula One Holdings on the London and Frankfurt stock markets later this year.

The flotation of FOH was never going to be easy. Explaining a business whose main asset is a contract to market broadcasting rights to F1 racing was enough of a challenge; persuading investors that the company was worth up to $3bn (£1.8bn) promised to be much more difficult.

Now the enterprise seems to be on stonier ground. Salomon was disconcerted by its successive discoveries that two other investment banks, BZW and SBC Warburg, had given financial advice relating to FOH behind its back. Both are acting as global managers for the flotation.

The first perceived slight was the most painful. The day after delivering a forthright ultimatum to BZW about its work for British Sky Broadcasting over a possible rival plan for FOH, Salomon publicly called the Barclays subsidiary a "valued member" of the FOH syndicate and said it *had acted "entirely properly"*.

Chastened by the experience, Salomon had a more measured response to the disclosure that Warburg had undertaken an unspecified "exercise" for Mr Ecclestone and Mr Max Mosley, president of the Fédération Internationale de l'Automobile, the non-profit governing body for motor sport.

A nagging doubt appeared to have arisen. What if the episodes were not just the result of rival banks looking for business, or an opportunity to tweak a competitor? What if Mr Ecclestone himself turned out to be behind not only the search for possible alternatives, but also their planting in the press?

Missing from this scenario was what his motive could be. The benign explanation was that he was trying to strengthen his hand in unrelated negotiations with three "dissident" F1 teams to prove there were options other than flotation.

But this seemed a high-risk strategy, because the effect of the stories has made the F1 business appear flaky – the last thing needed to launch a complex share issue.

It was also unclear why, if Mr Ecclestone needed independent advice for some reason, he did not tell Salomon. The US bank, which will not comment on its relations with its client, was taken by surprise by both the BZW and Warburg exercises.

Mr Ecclestone said yesterday: "There was a proposal put to me which involved Warburg." It was one of many he had received but had not mentioned to Salomon. "If there was anything I thought was serious, I would have told them."

He restated his commitment to Salomon and the flotation plan. "They are our lead bank if we have a public offering. This company will be sold to the public, full stop."

Talks on the side may suggest that the flotation, first mooted for last month but now pencilled in for November, was not making sufficient progress, resulting in other ideas being kicked around.

One was that the FIA might do something to expedite matters. But Mr Mosley yesterday dismissed the suggestion that the FIA, which represents 143 motoring clubs in 113 countries, might be floated. "Quite simply, the FIA is not up for sale, nor can it be," he said.

It remains unclear why Mr Ecclestone appears to have kept his adviser in the dark about some of his discussions.

It would be surprising if confidence between Salomon and Mr Ecclestone has not been shaken by the public appearance of being at cross purposes, even inadvertently.

Can this marriage be saved? To avoid a break-up that would be a huge blow to both sides, there is likely to be a tough heart-to-heart on how to take matters from here.

Andersen Consulting to revamp structure

By Jim Kelly in London

Andersen Consulting, *the* fast-growing international management and information technology consultancy, will today announce a high-level reorganisation designed to take it closer to becoming a global firm.

The shake-up, announced to partners over the weekend by Mr George Shaheen, managing partner, signals its determination to rise above the recent *squabbles with its sister firm,* Arthur Andersen, one of the Big Six accountants.

Andersen Worldwide, the umbrella body for both firms, recently failed to win partners' support for two board nominees for the post of chief executive because of turf wars between the firms and a wrangle over cost sharing.

Mr Shaheen, a rejected nom*inee for chief executive,* has gone on the offensive with his initiative, which is designed to preserve 25 per cent growth in Andersen Consulting, which had six-month revenues to February of $2.96bn, against $2.35bn a year earlier.

While the initiative is separate from Andersen Worldwide's strategic problems, it will be seen as a signal to cli*ents that the organisation's* two units already operate as independent enterprises.

Andersen Worldwide has appointed an acting chief executive, Mr Robert Grafton. "As a courtesy I brought him up to date in a 20-minute conversation," said Mr Shaheen. "This announcement is at the discretion of myself and my leadership team."

*Unveiling a complex struc*ture for the firm, which has 1,000 partners, he said: "This is significantly more than a continuation – it's a significant jolt to our people and how they feel about their organisation."

From September 1 the firm will seek to combine management structures based on geography, the industrial sectors of clients and skills of its partners and staff.

Its first global market unit – based on the communications industry – will be used as a template. A second – based on business practice, management and enterprises – will also be created.

The moves are designed to match skills to client needs on a global basis while preserving geographical units.

Staff and parts shortages drag Boeing down 15%

By Christopher Parkes in Los Angeles

Shortages of staff and parts dented Boeing's performance in the second quarter, with net income at the aerospace group falling almost 15 per cent to $399m from $468m, in spite of a 48 per cent rise in sales to $9.29bn.

Reporting as the European *Commission* prepared to deliver its verdict tomorrow on its contentious merger with McDonnell Douglas, Boeing announced another upgrade of 1997 production plans.

Earnings per share of 55 cents, against 68 cents last time, fell 4 cents below forecasts, suggesting analysts may have underestimated the cost of efforts to lift output.

Boeing slipped more than $1 in early trading to $54⅞.

The company raised its most recent 1997 production target from 340 jet airliners to about 350, after shipping only 218 last year, and said it expected revenues – excluding the effects of the McDonnell merger – of $34bn for the full year.

By the second quarter of 1998, it said, output was expected to rise to 43 aircraft a *month compared* with just over 30 at present. Current production rates had brought "a substantial increase in employment, material and fabrication demand at the company and its suppliers".

Training needs and parts shortages had affected production, while overtime levels remained high. "As a result, the commercial aircraft business is experiencing a near-term decline in productivity."

Boeing said this year's sales improvement stemmed mainly from higher aircraft deliveries and the inclusion of Rockwell's defence and space interests, acquired last December.

The results had also been affected by a $138m increase to $735m in quarterly research and development spending.

International Space Station Alpha, *the group's biggest* single project, originally expected to contribute about $1.4bn to 1997 revenues, had run into technical, schedule and funding problems, Boeing said.

Aggregate earnings per share for the first half were 99 cents against 85 cents last time, on revenues up 57 per cent at $16.6bn. Commercial aircraft deliveries were 57 per cent higher at 160.

Arnault quits Guinness board

By Ross Tieman in London

Mr Bernard Arnault, chairman of French luxury goods group LVMH, yesterday tendered his resignation from the board of UK brewer Guinness in protest at its planned £24bn ($40.08bn) merger with rival Grand Metropolitan.

Mr Arnault said he was quitting his non-executive seat to concentrate on promoting his alternative proposals.

In a scheme rejected last week by Mr Tony Greener, the Guinness chairman, and Mr George Bull, *his opposite number* at GrandMet, Mr Arnault proposed a three-way merger of the LVMH wines and spirits business with those of Guinness and GrandMet. He also suggested a simultaneous demerger of the two UK companies' food, fast-food and brewing businesses.

Guinness said it expected Mr Arnault's resignation to be approved at a board meeting tomorrow.

LVMH controls 14.2 per cent of Guinness, a legacy of cross-shareholdings acquired to underpin collaboration in global spirits markets since 1988. Mr Arnault, who was paid £25,000 a year, has been on the Guinness board since March 1989, although he has not attended the company's last three annual meetings. Mr Greener retired from his reciprocal seat on the LVMH board in May after a three-year term.

The two companies retain close links through a raft of joint ventures in the distribution of wines and spirits. These are jointly owned by Moët Hennessy, the brandy and champagne business of LVMH, and United Distillers, part of Guinness.

Guinness owns 34 per cent of Moët Hennessy, and appoints two directors to its board: Mr Philip Yea, the Guinness finance director, and Mr Finn Johnsson, managing director of United Distillers. A Guinness spokesman said they had no intention of resigning.

Mr Arnault has spent £792m to acquire a 6.4 per cent stake in GrandMet. The move apparently signals his serious intent to the boards of the two UK companies.

Guinness shares closed down 5 at 607½p, while GrandMet shed 10 at 606p.

Everbright issue to raise HK$840m

By Louise Lucas in Hong Kong

China Everbright, the acquisitive business arm of China's State Council, plans to raise HK$840m (US$108.4m) through a one-for-four rights issue to finance a further round of acquisitions.

The issue is being made by China Everbright International, one of the group's three Hong Kong-listed arms, and the bulk of the proceeds will be used to acquire stakes in two Shanghai property developments from parent China Everbright Holdings.

At the same time, the company has paid HK$46.5m for a 9.7 per cent stake in Wah Lee Resources Holdings, a Hong Kong electrical appliances trader. The deal was made through China Everbright Financial Holdings, a wholly owned subsidiary of China Everbright Holdings.

The price paid, at HK$1.55 a share, represents a 54 per cent discount to Wah Lee's closing price on Friday of HK$3.37 – demonstrating the premium accorded to a company partially owned by a "red chip", or mainland-backed group.

These acquisitions mark the latest diversifications for China Everbright, which stepped into the corporate limelight in May when it acquired an 8 per cent stake in Hongkong Telecom, the territory's dominant carrier. The stake had previously been held by Citic Pacific, Beijing's flagship investment vehicle and the most prominent mainland shareholder in corporate Hong Kong.

Since paying HK$11.39bn for the Hongkong Telecom shares, China Everbright has snapped up stakes in a string of activities, ranging from retail (a 20 per cent holding in Theme International, a Hong Kong based clothing chain) to finance (a 20 per cent stake in China's Everbright Bank, which it bought from its mainland holding company).

Funds from the rights issue will be used to acquire a 25 per cent stake in Hong Kong Shanghai Development, the developer of a property called Kerry Everbright City, for HK$574m.

In addition, China Everbright will buy a 15 per cent stake – also from the parent company – in the Shanghai Trade Square/International Apartments, for HK$25m.

● New World Development, one of Hong Kong's biggest property developers, is to spin off its service businesses in a separate listing, the company said yesterday. New World Services, which spans convention and exhibition centres, construction and property management, is expected to have a total issued share capital valued at around HK$4.03bn.

Zhu Xiaohua, China Everbright chairman: plans further round of acquisitions

Burns agrees to settle legal action

By Bruce Jacques in Sydney

Burns Philp, the Australian food company, has agreed to settle all outstanding claims against it in the long-running action over the collapse in 1990 of the Estate Mortgage Trusts, an Australian investment group.

Burns Philp has offered to pay the trustees of Estate Mortgage, now known as Meridian Investment Trust, a settlement with an approximate value of A$116m (US$85.3m). It would be made up of A$90m in cash and the issue of 12m notes convertible into Burns Philp shares.

Legal action by the Meridian trustees was adjourned in the Victorian Supreme Court yesterday following the settlement offer.

The Burns Philp offer requires approval from the trust's unitholders, with a meeting scheduled for September. Legal action continues against a number of other parties involved in the Estate Mortgage crash.

The offer follows an earlier settlement of A$31m reached with the trust's former auditors. The trustees initially sought A$600m claimed in lost investments and interest from the Estate Mortgage collapse.

Mr Alan McGregor, Burns Philp chairman, said the settlement would allow the company to concentrate on the future. "Estate Mortgage has taken up many hours of management time and the costs associated with mounting a complex legal case such as this are significant," he said.

"Our key ongoing priorities are to successfully sell our North American and European herb and spice businesses and to purse the numerous growth opportunities available."

PLDT set to benefit from lower peso

By Justin Marozzi in Manila

PLDT, the Philippines' former telecoms monopoly, is poised to increase profits as a result of the de facto devaluation of the peso 11 days ago.

The group, with 82 per cent of its revenues in dollars or dollar-related, estimates that for every 1 peso depreciation, it will receive additional net income of 500m pesos ($17.5m).

The peso closed yesterday at 28 to the dollar, compared with 26.4 before the recent turmoil on south-east Asian foreign exchange markets.

PLDT's share price has long been governed by exchange rate fluctuations, as result of its exposure to dollar earnings.

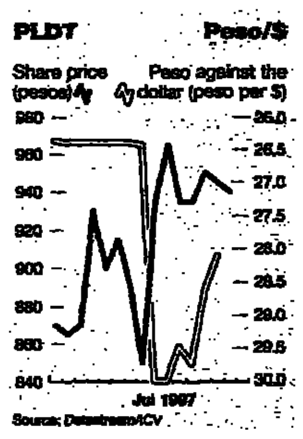
"Until 1995, when the rate stabilised at 26.3 pesos to the dollar, for something like five years PLDT share price was virtually a play on the Philippine currency," said Mr del Fonso, chief financial officer. "The foreign exchange correlation is still there but it is not as strong as before."

Shares in PLDT closed yesterday at 940 pesos, up 13 per cent up from a month ago. In the recent speculative attacks, the peso fell by as much as 12 per cent.

However, the peso depreciation will also have a negative impact because of the group's dollar debt of $2.4bn. This would become more expensive, but was already spread over 10 years, Mr del Fonso said.

"The overall impact is positive, because PLDT is still net long in dollars; therefore any depreciation will benefit the group. Up to a point, we had been hedging our foreign exchange position for 18 months," he said.

Ms Alex Connor, analyst at Indosuez W.I. Carr, is upgrading her 1997 and 1998 profit forecasts by 15 per cent and 20 per cent, respectively, from 6.44bn pesos last year.



Source: Datastream/ICV

"The quality of the balance sheet will be affected negatively, but the reality is that net profit will be higher which is why the stock price has been doing so well recently," Ms Connor said. "I think it will now stay around the 950 pesos level."

The improved forecast also takes into account a tariff restructuring, which Mr del Fonso said would come into effect in September or October, assuming a government decision next month on the group's proposals.

At present, international calls account for 52 per cent of group revenues, which lends urgency to the group's rate restructuring.

In the first phase, PLDT is calling for a 45 per cent increase in the basic monthly charge, and a 35 per cent rise in national long-distance charges.

It also wants a 21 per cent cut in international rates, although it admits that the government will inevitably trim these for political acceptability.

Some analysts feel the second phase – the introduction of metering for local calls – may prove too politically sensitive to push through before presidential elections next May. Mr del Fonso, however, is looking to introduce this on January 1.

ASIA-PACIFIC NEWS DIGEST

China Southern to invest Yn10bn

China Southern Airlines, one of China's three biggest airlines, said it planned to invest Yn10bn ($720m) to buy aircraft and expand operations over the next three years on the proceeds of its issue of 1.03bn H-shares.

Mr Yan Zhiqing, vice-chairman and president, said the airline planned to use about $283m of the proceeds to buy new aircraft and equipment. The remaining capital would be used to repay long-term debt, purchase and install computerised operation and financial management systems and build facilities at new airports in China.

"As China's economy is growing, we see immense opportunities in China's commercial aviation industry." Mr Yu Yan'en, chairman, said. "With our strong presence in the domestic market, we are well positioned to capitalise on the growth and further develop our business through expanding our international operations." Mr Yan said that in 1996 the company ranked number one among Chinese airlines in terms of passengers carried, the number of scheduled flights and hours flown.

AFX-Asia, Hong Kong

■ INFORMATION TECHNOLOGY

Telstra to confirm joint venture

Telstra, the state-owned Australian communications company, is expected to confirm tomorrow its long-mooted information technology joint venture with Lend Lease, the Australian financial services group, and IBM, the US computer group. Telstra first announced its plan to join the venture in May. It is considered one of a number of important precursors to the group's partial privatisation, planned for late this year.

Telstra plans to take a 26 per cent stake in the venture, to be called IBM Global Services Australia, and to outsource some of its information technology services. The companies also plan to set up a network services company called Advantra, in which Telstra would hold a 50 per cent stake.

Bruce Jacques, Sydney

■ CIGARETTES

HM Sampoerna lifts sales

HM Sampoerna, the Indonesian clove cigarette maker, said total cigarette sales for the first half of this year reached Rp1,144bn ($271m) against Rp961.66bn a year earlier. It said total stick sales for the first half were 10.77bn against 10.48bn.

First-half results were expected to be poor because of lingering consumer resistance to price increases. The company said the highlights of the first-half included a 66 per cent increase in sales for Dji Sam Soe filter and a "strong initial response" to its new A-International brand.

AFX-Asia, Jakarta

■ PAKISTAN

Telephone securitisation deal

Pakistan's first overseas private placement involving securitisation of telephone revenue – a $250m deal arranged by Citibank and ABN-Amro Bank – is likely to be completed within a month according to bankers.

The seven-year facility, priced at 225 basis points over US Treasuries, has been arranged on behalf of Pakistan Telecommunications, the majority state-owned provider. It is aimed at insurance companies, pension and mutual funds in the US. It follows similar telecommunications securitisation deals designed to isolate investors from emerging market risk. Pakistan is currently rated below investment grade at B.

"From the investor's point of view, it's shifting the risk from Pakistan to the foreign telephone companies," said Mr Kamran Faridi, managing director of Citicorp Investment Bank (Pakistan). "From [Pakistan Telecommunications'] perspective, if they had accessed the investor base directly for the same tenor, the spread would have been twice as much."

In the offering, inbound call earnings owed to the company under line rental arrangements with foreign operators are received by an offshore special purpose trust, rather than paid directly. Notes are then issued to investors secured by call revenue payments made into the trust. The main risk is whether international calls are maintained at a sufficient level. Mr Faridi said that incoming calls to Pakistan were seven times the level of those going out. Pakistan Telecommunications was likely to use the funds for long-term debt retirement and network expansion.

Islamabad hopes to apply the same "securitisation of receivables" principle for another issue, involving remittances from Pakistanis working overseas. The central bank estimates this amounted to about $1.2bn in fiscal 1996-97. Nine foreign banks have submitted proposals for a $300m seven-year placement.

Jeremy Grant, Karachi

COMPANIES AND FINANCE: THE AMERICAS

AMERICAS NEWS DIGEST

Microsoft in licence deal

Microsoft has licensed internet multimedia technologies from Progressive Networks, a neighbouring Seattle software company, for inclusion in future versions of Microsoft server and browser products. The move is expected to establish de facto standards for real-time audio and video transmissions on the internet, making it easier for users to listen to music and speech as well as to watch video clips on web pages.

As part of the agreement, Microsoft will take a minority stake in Progressive. Details of the investment were not released. The two companies will also adopt a common format for audio and video on the internet. Progressive Networks is best known for its "Real Audio" software which is widely used to receive sound over the internet. Progressive also offers a "Real Video" product for transmission and reception of video on internet web pages.

"Microsoft believes streaming audio and video technology is and will continue to be a critical technology for providing rich information on the internet and corporate intranets," said Mr Paul Maritz, Microsoft group vice-president. By agreeing on a common approach, the companies would accelerate the development of multimedia content on the internet, added Mr Rob Glaser, Progressive Networks chairman and chief executive.

Netscape, the market leader in internet software, said Microsoft's move represented an effort to "fill a gap" in its technology portfolio. "Microsoft is playing catch-up," Netscape said. *Louise Kehoe, San Francisco*

■ COMPUTER SYSTEMS

Unisys improves

Unisys reported improved earnings for the second quarter, beating Wall Street estimates and buoying hopes for a turnround by the long-struggling computer group. Net income for the quarter was $41.9m, or 8 cents a share, after payment of preferred dividends. This compared with net income of $5.3m, or a loss of 14 cents, in the year-ago period.

Revenue for the quarter rose 5 per cent to $1.59bn from $1.51bn, in spite of a negative impact from currency translations in international markets. Unisys was "on track" to achieve profitability for the year, after three years of losses, said Mr James Unruh, chairman and chief executive, who last month announced his plans to retire by next April. "We continued to build momentum in the quarter. Revenue was up, cash flow improved, and our operating profit margin almost doubled from a year ago."

Unisys's computer systems unit turned in a "very good profit and revenue performance", he said, while the information services unit made progress toward profitability. Mr Unruh said the company posted double-digit revenue growth in the US during the second quarter, and revenues from international operations were up slightly, in spite of currency translation issues.

For the six months ended June 30, Unisys's net income was $61.2m, or 2 cents a share. In the same period last year the company recorded a net loss of $8.1m, or 40 cents. Revenues for the first half of 1997 were $3.12bn, compared with $2.93bn in the first six months of 1996. Unisys was trading at 8\frac{11}{16}$ in early trading yesterday, up $⅝, or nearly 8 per cent, from Friday's close. *Louise Kehoe*

■ PROPERTY

Prudential in $331m sale

New Jersey-based Prudential Insurance has accepted an offer of C$456m (US$331.6m) for its Canadian property portfolio from a group comprising Oxford Properties, a fast-growing developer controlled by Hong Kong investors, and GE Capital, the US financial services group. The package, one of the biggest put up for sale in Canada, comprises 43 office, industrial and retail properties covering 5.6m sq feet. The buildings are on average 90 per cent leased.

Prudential put the properties up for sale last year after disposing of its Canadian life assurance business. Other bidders included TrizecHahn, the developer controlled by Mr Peter Munk. Oxford and GE Capital also joined forces last year to acquire Marathon Realty, a sizeable Toronto-based developer, for almost C$1bn.

Mr Jon Love, Oxford chief executive, said the Prudential portfolio was in line with Oxford's strategy of seeking high-quality properties with strong cash flow available at a discount to replacement cost. Prior to the latest deal, Oxford owned about a one-third interest in a 21m sq ft commercial property portfolio. It manages about 45m sq ft of properties. *Bernard Simon, Toronto*

■ PERUVIAN MINING

Volcan $127m offer accepted

Volcan, the Peruvian mining company, has won the two mines and concentrator plants making up Mahr Tunel, which is being sold by the Centromin privatisation committee. Its $127m offer was ahead of rival bids from Boliden, of Sweden, with $85m and the Simsa-Savage Peruvian-Australian consortium which came in last with $61m. Volcan justified the price by saying that it expected synergies from the operation: it owns and operates the two mines on either side of Mahr Tunel. It will, however, have to seek financing and possibly, a partner.

Base price for the production unit had been set at $50m with a minimum investment commitment of $60m. The winning bidder must invest a minimum $60m over the next five years. *Sally Bowen, Lima*

■ PAPER PRODUCTS

Kimberly-Clark advances

Kimberly-Clark, the paper products group, reported higher operating and net earnings in the second quarter, in spite of its merger with Scott Paper, which cut operating income by 4 cents a share. "Operating profit was adversely affected by strategic changes related to the combination of Kimberly-Clark's and Scott Paper's away-from-home businesses in North America," the company said, referring to paper products used in institutions such as hospitals and offices. "The transition has resulted in lower sales and higher costs, with a negative impact on operating profit in the second quarter equivalent to 4 cents a share."

The company posted net income of $363.5m, or 65 cents a share, in the second quarter, compared with $364.7m, or 64 cents, the year before. Excluding an extraordinary gain in the second quarter and non-operating items in both years, the company earned 60 cents a share in the second-quarter, compared with 56 cents last year. A First Call consensus estimate of 11 brokers had put the company's earnings at 62 cents. *Reuters, Dallas*

■ NASDAQ

Use of e-mail considered

The governing body of the Nasdaq stock market, which bills itself as the premier stock exchange for high-tech companies, said it was considering a proposal that would allow brokers to communicate with clients using electronic mail. Brokerages could send order confirmations, proxy materials and customer accounts, as legally required, by e-mail instead of through conventional mail. The National Association of Securities Dealers, which runs Nasdaq, said it had voted on Friday to submit a rule change and would seek comment from investors, securities industries professionals and other groups. *Reuters, New York*

First Union in $3.25bn purchase

By John Authers in New York

First Union, the acquisitive North Carolina-based commercial bank, yesterday quickened the pace of US banking consolidation by buying Signet Banking of Virginia in a stock swap valued at about $3.25bn.

Wall Street reacted negatively to the third acquisition of a Virginian bank in the space of two months. First Union's share price fell $4¼ to 92\frac{11}{16}$ in early trading, while Signet's gained more than 30 per cent, up 12\frac{11}{16}$ at $49⅝.

First Union will exchange 0.55 shares of its common stock for each Signet share under the deal, valuing it at about $51⅛ a share.

First Union, already the sixth largest US bank, now becomes the largest bank in Virginia with assets of $20bn in the state, regaining a title it lost a month ago to Wachovia, a rival North Carolina bank. Before the merger, its total assets were $143bn, compared with Signet's $12bn.

In June, Wachovia bought Jefferson Bancshares for $542m, and two weeks later Central Fidelity for $2.3bn. Central Fidelity had itself been regarded as a possible buyer of Jefferson, and the bank's officials admitted at the time that its decision to sell was motivated in part by the realisation that it no longer had the option to expand by acquisition.

Mr Michael Mayo, banking analyst with Credit Suisse First Boston, said: "For any bank there's a finite number of strategic options. You could still get a domino effect in several other states."

He named Tennessee, Alabama and Louisiana as states which, like Virginia earlier this year, have so far seen little merger activity and have a number of medium-sized banks which could make attractive targets.

The deal is based on radical cost-cutting. First Union will take a charge of $135m after tax this year to pay for restructuring, and then expects to cut Signet's annual running costs by $242m, or about 50 per cent.

First Union will rescind its authorisation to buy back stock once the merger is completed. It has repurchased 11m shares so far this year, and had authority to buy another 14m.

Mr Edward Crutchfield, First Union chief executive, said the deal was "financially driven". He predicted that the purchase would enhance next year's earnings, and added that the deal was also expected to raise revenue, with the combined bank gaining an extra $37m annually from the sale of First Union's products, such as its large range of mutual funds, to Signet customers.

Sprint buys Paranet for $425m

By Richard Waters

Sprint yesterday became the latest US telecommunications company to make a push into the computer networking business, with the announcement that it would pay $425m in cash for Paranet, a networking company.

Like most of its big rivals, Sprint has set its sights on the rapidly growing market for data services among companies to complement its existing business.

The strength of the data business was one of the few bright-spots in yesterday's figures from AT&T, for instance, in sharp contrast to the fierce competition in the long-distance voice business.

Paranet, which had revenues of $66m last year, designs, builds and runs computer networks for companies.

Mr Bill Esrey, Sprint chairman, said many companies had asked Sprint to help "simplify the design and management of their network systems".

The market for network management services is worth about $27bn in the US alone, and is expected to rise to $43bn by the year 2000 as more companies contract out the job of running these networks, Sprint said.

Competition takes toll on AT&T

By Richard Waters in New York

After-tax profits at AT&T fell by 38 per cent in the second quarter of this year.

The biggest US telecommunications company suffered from the costs of trying to break into the local market in the US and a further loss of market share in long-distance calling.

However, its net earnings of $959m, or 59 cents a share, were still better than most Wall Street analysts had expected.

Mr Dan Somers, chief financial officer, said the second quarter was expected to mark "the low point in terms of earnings" as the company rebuilt its margins.

AT&T's latest figures were seen on Wall Street as a sign that recent efforts to cut costs were beginning to have an effect, and helped partially to offset concerns over a series of earnings disappointments.

The company is also facing a succession crisis following the resignation last week of Mr John Walter, the chief operating officer, who had been seen as the next chief executive.

The intensity of the competition that has descended on the US long-distance market was highlighted by the widening gap between the company's call volume and revenue growth.

The minutes of calls carried by AT&T rose nearly 10 per cent: however, revenues crept up only 1.5 per cent, to $11.6bn, in part reflecting the way that AT&T, like other companies, has started to offer free minutes of calling as a marketing incentive.

Mr Robert Allen, chairman, said that while AT&T was "certainly not pleased with the year-over-year decline in our earnings," the company was making "good progress" on the business plan it outlined to Wall Street earlier this year.

The regulatory delays in opening the local calling market has left the company with local consumer services in only six states, AT&T said.

The company did not disclose the scale of its local business, but said that revenues from all its developing services – including local, internet and international services – had risen 47 per cent, to $524m.

The cost impact of developing these new services reduced earnings by 23 cents a share in the latest quarter, compared with 16 cents a share a year ago, AT&T said.

Improved margins lift Exxon 25%

By Christopher Parkes in Los Angeles

Exxon shares rose against the morning stock market trend in New York yesterday after the US energy group reported a 25 per cent surge in net income for the second quarter and earnings per share of 79 cents – more than 10 per cent above analysts' forecasts.

The company credited improved margins in its refining, marketing and chemicals operations, and said product sales were the highest for more than 20 years.

Exxon stock rose 1\frac{5}{16}$ to $62 in early trading although the market overall was down as Friday's profit-taking continued.

The recovery in the refining and retailing sector, a problem area for many integrated oil groups, was most striking in the US. Earnings rose 65 per cent to $162m from $98m, in spite of the continuing heavy competitive pressure which has driven several companies to pool refinery and retail assets.

The refinery results from Exxon – the first oil major to report – could indicate improved profitability in this sector for the other big US oil groups which are due to report their second-quarter results this week and next.

Yesterday's results indicated a continuation of improvements in the first quarter, when Exxon reported the highest oil products sales since 1980 and record deliveries of chemicals.

It also noted a recovery in margins following the decline in the closing months of 1996.

Due to what Exxon called a "modest" margin improvement, overseas refining and marketing profits surged from $134m to $382m in the second quarter, while earnings from chemicals jumped from $166m last year to $246m, and overseas income in this division was up from $138m to $147m.

Lower feedstock costs helped bolster product results as average crude prices for the period fell $1.50 a barrel.

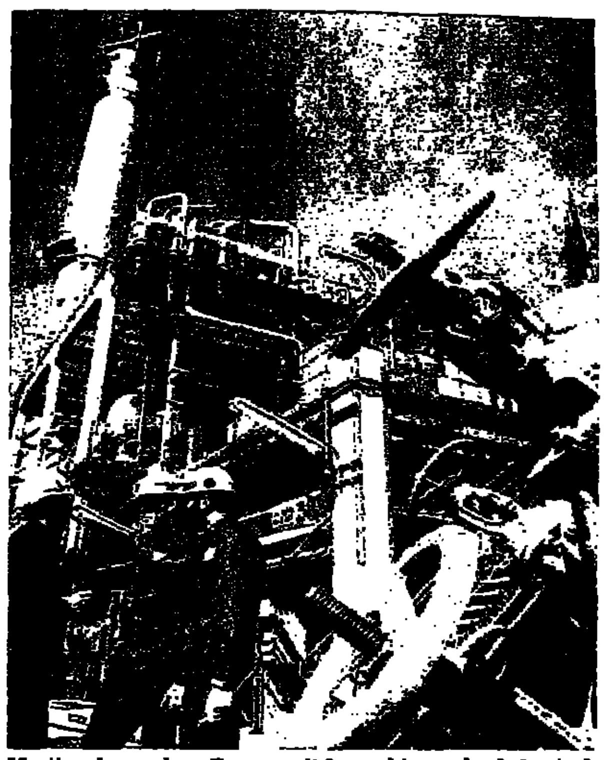
Liquids production slipped slightly to an average of 1.59m barrels a day, a result of field maintenance work and the revision of a production sharing agreement in Malaysia which more than offset higher output from Canadian, Australian and North Sea reserves.

Natural gas production was also down marginally, at 5.64bn cu ft a day.

Oil product sales climbed 6 per cent and daily refinery throughput rose 120,000 barrels to 3.875m due to reduced maintenance needs.

Net income for the quarter was 25 per cent higher than last year at $1.96bn, and brought the total for the first half to $4.14bn, compared with $3.45bn in 1996.

A 1 per cent rise to $32.77bn in revenues for the period brought the advance for the year to date to 4.6 per cent, for a total of $66.36bn.



Meeting demand: an Exxon unit for making unleaded petrol

COMPANIES AND FINANCE: EUROPE

Deal highlights quickening pace of change

Threat of increased competition and overcapacity are driving consolidation in the German banking sector

It was the type of big German banking deal everyone had been waiting for, though it came sooner than expected. For the past year – since Deutsche Bank announced its 5.21 per cent stake in Bayerische Vereinsbank – speculation about restructuring in Germany's overcrowded banking sector had been rife.

Yesterday, Vereinsbank satisfied the stock market's appetite for action by announcing plans to merge with Bayerische Hypotheken-und Wechsel-Bank to create the country's second-biggest private-sector bank by assets after Deutsche, overtaking Dresdner Bank and Commerzbank.

The two Munich-based banks' decision to push beyond their regional origins in southern Germany has sent a strong signal about the accelerating pace of change in the industry.

Mr Eberhard Martini, chairman of Hypo-Bank, says the merger – to create Bayerische Hypo-und Vereinsbank – is a response to overcapacity in German banking, the expected intensification of competition through the planned European single currency, technological changes and the high investment needed continually to improve customer service.

Analysts generally welcomed the deal, approving the fact that an important step had been taken along the restructuring route, but questioning whether it would lead to much beyond cost cuts and synergies.

"It's a genuine move towards more restructuring, with cost aspects to the fore," says Mr Michael Klein, analyst at Delbrück, a Frankfurt bank. "But I don't see a strong strategic approach."

Mr James Hyde, London-based analyst at Merrill Lynch, says the merger was "a cleverly thought-out structure which has excited the whole sector". Yet he does not think other mergers on the same scale will necessarily follow. "The merger itself doesn't particularly threaten Deutsche Bank," he says. Nor does he think Dresdner will be particularly pushed to respond to a merger which has a strongly regional flavour.

Mr Klein is surprised that the deal to emerge from all the speculation centred on the two Bavarian banks.

Since Deutsche bought its stake in Vereinsbank, the speculation had been that Dresdner would join with Hypo-Bank – Allianz owns just over 20 per cent of both banks.

Yet the Bavarian transaction has confirmed the expectation that competitive pressures on German banks, operating with high costs in an over-banked market, would inevitably lead to mergers and partnerships.

Bankgesellschaft Berlin plans to link with Norddeutsche Landesbank in a deal which will contain both private and public sector elements, while the smaller BHF-Bank has also been the subject of speculation.

"Now, nothing can be excluded," says Mr Dieter Hein, banking analyst at Commerzbank. "People will be looking for further deals."

This would be the case in Germany and across Europe, especially as banks looked ahead to European monetary union.

The two Bavarian banks have also chosen a merger structure which could be applied elsewhere in German banking and industry. Banks are keen to reduce their large holdings in industry but have been hindered by high corporate and capital gains taxes.

By using most of its valuable 10 per cent stake in the big Allianz insurance group, Vereinsbank will not be liable to tax on the unrealised gains, which will instead contribute to the merger. The bank will offer Allianz shares in exchange for those in Hypo-Bank.

This will give Vereinsbank up to 45 per cent of Hypo-Bank, the merger being completed by a Vereinsbank capital increase.

Mr Albrecht Schmidt, Vereinsbank chairman, says the deal will immediately lift earnings per share of the merged bank from DM3.55 to DM3.95 (based on 1996 figures), by reducing the number of shares and creating more internal capital.

The two banks were advised by J.P. Morgan, the US investment bank, and Goldman Sachs acted for Allianz.

Bankers say this is the first time the difference between the book value and market value of a key shareholding has been used in a German merger, though it has been used in deals in the insurance and chemicals sectors.

Yet despite their admiration for the mechanics of the deal, analysts say some strategic questions have still to be answered.

While the banks say they plan to expand in Germany and Europe in such core sectors as retail banking, property finance, asset management, corporate treasury business and medium-sized company (Mittelstand) financing, the merger will not necessarily fill in operational gaps.

"You have to see the merger as a type of defence strategy," Mr Hein says. "Vereinsbank was clearly shaken by Deutsche Bank taking a stake. It saw that it could be taken over."

It worked hard to create a alliance that would prevent that. The result is a strong regional bank with European aspirations. "But it does not fill in the strategic gaps," Mr Hein adds.

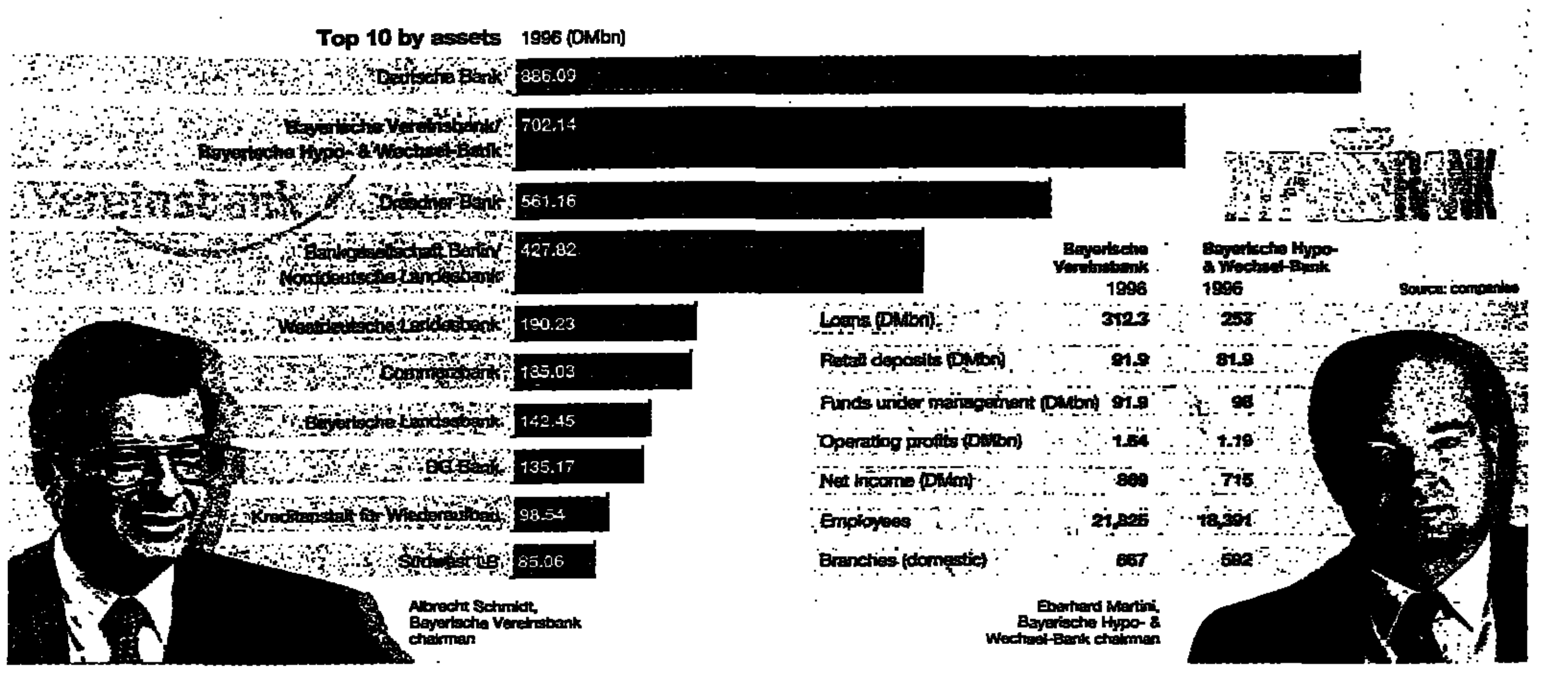
The bank would not be strong in investment banking and the idea of expanding in asset management was not new for either bank.

However, Mr Schmidt says the bank does not plan to become a global force in investment banking, preferring to concentrate on the Mittelstand's needs in Germany and abroad.

The new bank will have its work cut out tackling the synergies rather than the strategy. Surplus branches and staff will be shed – in a country where Anglo-Saxon type job reductions are anathema – but both chairmen were coy yesterday in stating just how many and where.

Andrew Fisher

Reshaping German banking



	Bayerische Vereinsbank 1996	Bayerische Hypo- & Wechsel-Bank 1996
Loans (DMbn)	312.3	253
Retail deposits (DMbn)	91.9	81.9
Funds under management (DMbn)	91.9	98
Operating profits (DMbn)	1.64	1.19
Net income (DMm)	899	715
Employees	21,825	18,391
Branches (domestic)	667	592

Source: companies

Albrecht Schmidt, Bayerische Vereinsbank chairman

Eberhard Martini, Bayerische Hypo- & Wechsel-Bank chairman

Domestic rivals face serious combined challenge

By Andrew Fisher

Although the two Bavarian banks are household names in south Germany, they are not as well known in the world at large as the big domestic rivals to which they will pose a serious combined challenge.

Bayerische Vereinsbank has shown the stronger performance under Mr Albrecht Schmidt, its energetic chairman. As the owner of Vereins-und Westbank – based in Hamburg, in northern Germany – it is strongly represented outside Bavaria and has also been pushing abroad into western and eastern European markets, the US and Asia.

Both Munich-based banks are strong in property finance, commercial and private, and in lending to local authorities. They are well entrenched among Mittelstand (medium-sized company) customers and have moved into direct banking.

Bayerische Hypotheken-und Wechsel-Bank has built its position in asset management, through the increase of its stake in Foreign & Colonial Management, the UK fund management company, to a majority holding.

Hypo-Bank has been successful in bringing down its operating costs. But Mr Eberhard Martini, chairman, came under fire at this year's annual meeting for its lacklustre profits performance and the unhappy state of some of its industrial shareholdings.

Hypo-Bank's operating profit was down 9 per cent at DM1.19bn ($665m) last year after a 58 per cent rise in risk provisions, reflecting lower profits on securities held for liquidity purposes.

Vereinsbank, Germany's biggest property financing bank, lifted operating profits 18 per cent to DM1.64bn.

The two men said the merged bank would expand in asset management, especially in the US market, and in corporate finance for Mittelstand customers, which mainly fall below the notice of the big investment banks. However, Vereinsbank failed last year to clear US regulatory hurdles in its attempt to buy Oppenheimer, the US fund manager, stockbroker and investment bank.

Vereinsbank has also been developing its foreign trade finance and treasury activities. It has been increasing the foreign share of its total business, which last year reached 15 per cent against 12 per cent in 1995.

Barclays pulls out of ship financing

By Kerin Hope in Athens

Midland Bank yesterday took control of Barclays Bank's shipping branch in the Athens port of Piraeus in a deal involving the transfer of $300m in assets, including loans outstanding to several of Greece's biggest shipowners.

Neither of the UK banks would disclose the price paid, but analysts said Midland offered a premium of about $12m, based on the branch's previous operating profits.

The disposal of its Piraeus operation marks the end of Barclays' involvement in shipping finance. The acquisition increases Midland's exposure to Greek shipowners to about $500m, making it one of the top six lenders to the sector.

Lending by foreign banks to Greek shipping companies totals more than $7bn and is mostly handled from Piraeus.

Midland's branch in Greece, one of the most profitable in the HSBC group, has been seeking to increase its assets as the Greek banking sector consolidates.

Last year Midland was outbid for Interbank, a small Greek retail bank, by Eurobank, the Athens arm of a banking chain controlled by Latsis, the London-based Greek shipping group.

Until now, Midland has financed a group of second-tier Greek owners operating modern ships. Its new customers from Barclays include several big established shipping groups.

Several customers voiced annoyance at not being consulted before the sale, but only one has refused to participate. Midland has hired all 29 employees at the Piraeus branch, but has not taken on any doubtful loans.

Lending to Greek owners at the bank reached about $600m in the early 1990s, but the portfolio shrank with the write-off of a $120m loan to Blue Flag, a chemical tanker operator.

Siemens upbeat after nine-month advance

By Graham Bowley in Berlin

Siemens, the German electrical and electronics group, yesterday held out the prospect of a strong rebound in profits next year after unveiling higher than expected sales and earnings in the first nine months of the current financial year.

But Mr Heinrich von Pierer, chief executive, insisted that profits for the whole of this year would remain flat at about DM2.5bn ($1.4bn) because of restructuring in the transport and medical engineering divisions and sharp price falls in semiconductors.

He said sales would exceed DM100bn this year for the first time, after an increase of 10 per cent in the first nine months to DM71.2bn – driven entirely by growth outside Germany.

Net profits rose 8 per cent to DM1.705bn in the first nine months, ahead of analysts' forecasts. New orders increased 14 per cent to DM82.8bn.

"In contrast to the current year, we expect a significant rise in net income [next year], one that will be notably higher than the growth in business volume," Mr von Pierer said.

Sales were boosted by buoyant international demand – especially in the Americas and in Asia – and by the sharp fall of the D-Mark against the dollar and pound. However, sales in its domestic market fell, reflecting the weak state of the German economy.

The upbeat outlook for next year follows criticism of Mr von Pierer by analysts and investors who think that, despite strong sales, progress has been slow in refocusing the company on growth areas and boosting earnings

However, the company has taken steps to restructure, including the acquisition of AEG Electrocom from Daimler-Benz and the sale of its defence electronics and dental equipment businesses.

Heinrich von Pierer: significant rise net income next year

Siemens said yesterday the sale of its defence electronics division would probably be completed by September or October. General Electric Company, of the UK, and Germany's Daimler-Benz Aerospace (Dasa) are believed to have expressed interest.

Siemens also announced plans to accelerate the restructuring of Siemens Nixdorf, its computer unit, to separate more clearly its computer products activities from its computer services.

However, Mr von Pierer denied that Siemens would sell its troubled medical technology group. He forecast the division would return to profit next year after a DM100m-DM200m loss this year.

The group's communication division and Siemens Nixdorf were the main engines of growth in the first nine months. The semiconductor division was also picking up momentum after a slow start to the year, Siemens said.

"This is a year of consolidation for Siemens," said Mr Peter-Thilo Hasler, analyst at Vereinsbank Research in Munich. "From next year on we will see a strong improvement in sales and earnings."

Enthusiasm for the company's prospects has been seen in the share price, which has been one of the top performers in Germany this year. Although the shares closed down DM5.25 at DM113.60 yesterday, analysts said this was because investors were switching from technology stocks to bank stocks, which are currently in favour.

Iberia sell-off is brought forward

By Tom Burns in Madrid

Iberia, the Spanish carrier in which American Airlines and British Airways are considering buying equity stakes, will be fully privatised within two years, industry minister Mr Josep Piqué said yesterday.

The decision to sell the airline, which has returned to profit after large state-funded capital injections, has been brought forward by a memorandum of understanding that brings Iberia under the aegis of BA's proposed deal with American.

Mr Xabier de Irala, Iberia chairman, yesterday hailed last Friday's agreement with the "biggest and the best" in the airline industry as a "challenge" to improve the Spanish carrier's efficiency. "With such partners we now have a reference point [on how to run Iberia] and we need to move fast towards it."

Mr Irala was appointed a year ago by the incoming centre-right government to run Iberia. The third chairman in less than six years, he took over a company that had accumulated net losses Pta240.9bn ($1.6bn) between 1990 and 1995, in spite of a capital injection of Pta120bn in 1992 and a subsequent Pta87bn bail-out using public funds in 1995.

Improved marketing strategies and cost cuts introduced by Mr Irala helped Iberia to report pre-tax profits of Pta5.1bn in the first half of this year, against losses of Pta1.7bn during the same period in 1996.

The initial agreements with American and BA, which were signed separately, involve code-sharing and the co-ordination of cargo services and marketing. Iberia has given itself until September 1 to finalise its agreement with American and until October 31 to do so with BA.

In a separate memorandum of understanding with American, due to be formalised by mid-September, the US airline is to take a 10 per cent stake in Aerolineas Argentinas, and Iberia will halve the 20 per cent shareholding it holds in its Latin American subsidiary.

American and BA are evaluating Iberia with a view to taking up stock options of between 5 per cent and 10 per cent. The options must be decided by December 31 under the terms of the agreement. If taken up, they are likely to usher in a much closer alliance between Iberia and its partners.

Sepi, the industry ministry portfolio company which owns Iberia, has to decide between retaining as much of the airline's stock as possible and selling more now to BA and American at a low price to enhance the value of Iberia's shares. In May, it sold 12 per cent of Iberia to employees for about Pta7bn.

EUROPEAN NEWS DIGEST

SAS reviews hotels business

Scandinavian Airlines System said yesterday it was reviewing the future of its hotel business and had engaged an international investment bank as adviser. A brief statement, prompted by speculation that SAS was planning to divest the hotels chain, said the airline is "evaluating different options" for the unit.

SAS runs a network of about 80 hotels under the trade name Radisson SAS. These are mainly in Europe, the Middle East and North Africa. The division, which has expanded rapidly since the start of the decade, made profits after financial items of SKr65m ($8.4m) last year on sales of SKr1.9bn. "Nobody has said we are going to sell the hotels. We are just looking into our possibilities for the future," SAS said.

Greg McIvor, Stockholm

■ MILAN STOCK EXCHANGE

First remote members sign up

UBS, the Swiss bank, and Morgan Stanley, the US investment bank, are the first foreign banks to become remote members of the Milan stock exchange. Milan is the latest stock exchange to offer remote membership to foreign banks in an effort to win back trading volume from centres such as London. Remote membership allows foreign banks the same access to market information and market facilities as local firms without the costs of establishing a local operation. UBS estimates that its membership will more than halve the cost of dealing in Italian shares, by removing the need to pay extra commission to brokers licensed to operate in Milan.

Meanwhile, the London operation of Banque National de Paris has applied to become a remote member of the Vienna stock exchange.

William Hall, Zurich

■ DEFENCE INDUSTRY

IMI returns to profit

Israel Military Industries, the state-owned defence company, returned to profit during the first quarter of this year following a radical restructuring involving 8,000 redundancies. Net profits were $8.4m, compared with a net loss of $14m last year, following accumulated losses of more than $1bn between 1991 and 1995. Revenues in the quarter were $105m. Mr Nehemiah Hasel, executive vice-president for finance, said yesterday IMI would match last year's full-year revenues of ...09m.

Judy Dempsey, Tel Aviv

■ SOUTH AFRICAN GOLD

Gengold falls to R60.m

Mr Tom Dale, chairman of Gengold, the gold arm of South Africa's Gencor, yesterday urged management and employees not to allow the current gold market gloom to distract attention from the central issue of reducing dollar-denominated costs. In the face of a sagging bullion price, Gengold saw its distributable income fall from R87.70m in the first quarter to R60.m ($13.3m) in the second quarter to June. Output rose from 10,182 kg to 10,478 kg, in spite of a dip in average yield from 5.9 grammes a tonne to 5.8 grammes as more ore was milled.

Commodities, Page 24

Reuters, Johannesburg

■ INVESTMENT FUNDS

Capital Portugal to convert

Investors have voted to convert Capital Portugal, one of the biggest investment funds specialising in Portuguese equities, from a close-ended to an open-ended fund from October. The value of Capital Portugal's portfolio is Es34.9bn ($192m). Foreign institutions hold about 75 per cent of the fund.

Peter Wise, Lisbon

Lower prices hit Norsk Hydro

By Roger Taylor in London

Lower fertiliser prices and foreign exchange losses forced first-half net income down 7 per cent at Norsk Hydro, Norway's largest quoted industrial group, from NKr3.28bn last time to NKr3.04bn ($411m).

The company's agricultural division, Europe's largest producer of mineral fertilisers, saw income drop 37 per cent between the first and second quarter of 1997, despite higher sales volumes.

The shares closed down NKr11 at NKr387 in Oslo yesterday.

Norsk Hydro said demand for fertiliser had remained static but capacity had continued to grow. It had temporarily taken some of its capacity out of the market, but did not expect to see prices rising again in the immediate future.

Profits were also hit by the rise in the dollar. The company, which has most of its loans in dollars, saw interest costs climb from NKr291m to NKr478m and lost a further NKr254m on the rise in value of its debts.

The company's other divisions announced higher turnover and operating income.

Oil and gas saw operating income rise 18 per cent, largely as a result of a cut in depreciation costs following an upgrading, by about 10 per cent, of the company's reserves. Capital expenditure is written off over the expected life of the company's oil and gas reserves.

Aluminium production showed operating income up 7 per cent following price rises. The company said it would increase aluminium capacity by about 110,000 tonnes a year over the next six months, by improving facilities and bringing back into production about 65,000 tonnes of idle capacity.

Group operating revenues rose 12 per cent to NKr48.3bn.

The company said the results "confirmed the positive trend" and were in line with its target of doubling turnover by 2000.

Earnings per share were down from NKr14.30 at NKr13.30, in line with analysts' expectations.

Staples is ousted at United Utilitie

By Jane Martinson

United Utilities surprised the stock market yesterday with the ousting of Mr Brian Staples, its chief executive, after a vote of no confidence.

The shares fell 10 per cent as the group indicated that profits would be lower than expected this year.

Mr Staples, who has been with the multi-utility for three years, could be entitled to a maximum compensation pay-out of £600,000 ($1m) based on two years' basic pay. This excludes 180,000 share options and any pension or long-term incentive award entitlement.

Analysts believe the main reason for the abrupt departure was the difficult relationship between Mr Staples and Sir Desmond Pitcher, the brusque executive chairman.

However, both men deny any friction.

Non-executives are understood to have objected to Mr Staples' supposed lack of communication. "It was the reluctance to keep the board informed and the reluctance to accept decisions and arguments," said one company insider yesterday.

With Sir Desmond due to retire in two to three years' time this breakdown in communication convinced the non-executive directors that Mr Staples was not the man for the job.

Sir Desmond told Mr Staples, 52, that the non-executives had lost confidence in him first thing yesterday morning on his return from a holiday in Portugal.

His secretary and chauffeur were also told to go home for a few days.

He said yesterday: "I think I have demonstrated a very good track record at United Utilities. The group is totally different from what it was when I first went there." Mr Staples was chief executive during North West Water's £1.8bn takeover of Norweb, the regional electricity company, in 1995, which created United Utilities.

NatWest Markets, the group's house broker, yesterday cut this year's pre-tax profits forecast from £500m to £445m and forecasts for the year 2000 from £595m to £490m.

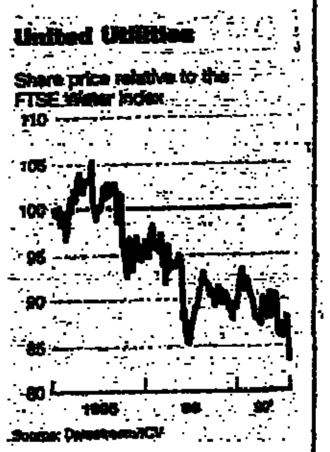
Brokers had been expecting the group to be making faster progress on the cost savings resulting from the merger and on its international projects.

United announced an £83m provision for a difficult contract in Bangkok earlier this year. One company insider down played e impact of this on Mr Sta s' departure yesterday as had inherited the con ct on his appointment in 994.

Both sides h appointed lawyers to sett the issue of compensation. his could reawaken the ntroversy over the group pay package. One institu nal investor said yeste ay: "One immediately wo ers what sort of pay-off h going to get. Presumably he lost the confidence o he board he hasn't done th b well."

LEX COMMENT

Utd Utilities



The loss of one chief executive at United Utilities was unfortunate. But the loss of another, in the form of Mr Brian Staples, looks more than careless. After all, the man doing the losing, executive chairman Sir Desmond Pitcher, seems to act rather like a chief executive himself. So this looks like a case of too many cooks spoiling the broth and leaving United with the highest dividend yield in the sector. But has the right cook been burnt? Mr Staples' reputation was tarnished by the group's troubles in Bangkok's sewers, he gained unfortunate notoriety for his private life and he was sometimes slow to let investors know when things were not going so well. None the less, his strategy is not under question and he delivered promised cost savings from the acquisition of Norweb, the electricity business. So he was not an obvious sinner.

At least his replacement, Mr Derek Green, is an ex-BTR man and so can be expected to concentrate on squeezing costs at home rather than spending money overseas. But Sir Desmond's reputation as a corporate bruiser will hardly be deflated by yesterday's events, and one must wonder whether Mr Green will find his exalted position any easier to hold than his predecessor. The obvious remedy is for Sir Desmond to take a non-executive role and to bring in some fresh non-executive directors. But Sir Desmond seems powerfully resistant to change, and it is hard to see United Utilities' yield premium being relinquished until he does.

Checking out the value of UK bank

The financial institutions are healthy, writes George Graham

UK bank shares took a battering yesterday in the stock market, but their long bull run has still thrown up a new pecking order among the world's leading financial institutions.

National Westminster Bank has for months been the whipping boy of the UK banking sector, and a drop of 7p in its share price yesterday to 859¼p cut its market capitalisation to £14.7bn ($24.5bn).

But that is still comfortably more than the combined market value of Bayerische Vereinsbank and Bayerische Hypobank, which yesterday announced their merger to form the new number two in the German banking industry.

You could throw the whole of Deutsche Bank, the largest German private sector bank, into the merger and still come up with a market value well short of Lloyds TSB, valued at £35.5bn yesterday despite a drop of 18p in its share price to 65 p.

And Lloyds has onl the second largest market capitalisation among UK banks behind HSBC, the financial giant whose holdings range from Hongkong and Shanghai Bank in east Asia to Midland Bank in the UK and Marine Midland in the U .

HSBC's £53.8bn capitalisation outweighs Deutsc e, Dresdner Bank, Commerzbank and the two merging Bavarian banks combined.

Market values can fluctuate wildly, and need n reflect underlying financia strength. Deutsche's equity capital and assets are almost exactly twice Lloyds'.

UK values have also been greatly enhanced in relation to their German rivals by the recent strength of sterling.

Nevertheless, the relative values reflect the much stronger earnings performance of the UK banks over recent years, with returns on equity far in excess of their German rivals.

"It certainly says a lot about the profitability of banking in the UK and something about expectations that the good times will continue," said Mr John Leonard, analyst at Salomon Brothers in London.

The shift in relative values could become a significant factor in the consolidation of the European banking industry, which many banks expect to accelerate after the introduction of a single European currency, scheduled for the beginning of 1999.

Although Lloyds has focused on domestic retail banking and shown no ambitions for acquisitions in continental Europe, the high value placed on its shares would make it easier for it to outbid European rivals.

"Four or five years ago, people were always saying we were going to be taken over by Deutsche," said one Lloyds executive.

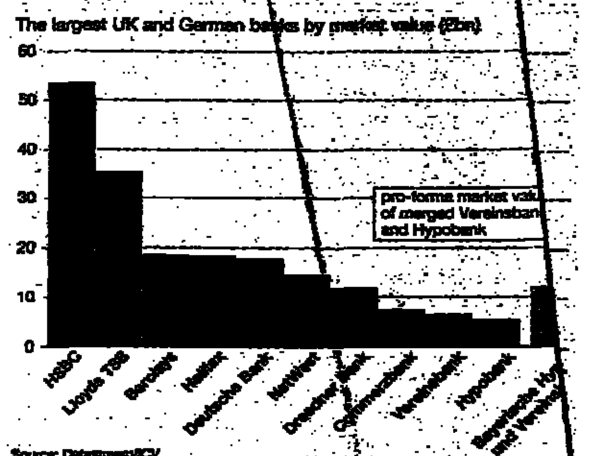
The rise of the UK banks also puts into perspective suggestions that one of the continental European banks might bid for a British institution such as NatWest.

"I think the balance of financial strength has changed, with UK and US markets performing better and UK and US bank managements performing better," Mr Leonard said.

Although US bank shares have also performed strongly over recent years, Lloyds has also jumped into the top tier in comparison w transatlantic banks. Lloy market capitalisation is n similar to Citicorp's and o third higher than Cha Manhattan's.

A new pecking order

The largest UK and German banks by market value (£bn)



Source: Datastream/ICV

Courtaulds suffers Lenzing dispute setback

By Virginia Marsh

Courtaulds, the UK chemicals company, has suffered a setback in its battle with Lenzing, of Austria, over development of a rival to Tencel, its potentially lucrative new fibre.

Tencel has won acceptance from retailers and the fashion industry, but it faces competition from lyocell, the generic version which Lenzing began to produc commercially this month.

It emerged yesterday the Austrian company had won a ruling at the US Court of Appeal, upholding one of its patents. Howeve, Courtaulds said the two companies, which have been in litigation over this patent since 1993, were at an "advanced stage" in talks settle the dispute and on cross-licensing their patent portfolios.

Over the past five years, the UK company has invested more than £300m in production facilities for Tencel in the US and in a UK plant due to open this autumn.

"I think we both now accept we have more to gain [in settling] than to lose," Mr David Wilkinson, director of fibres at Courtaulds, said yesterday.

The pulp-based fibre would gain greater acceptance if there were more than one producer, as mills did not like to be tied to one supplier.

Lenzing confirmed it was in settlement talks, but said the situation had changed since the US Court of Appeal decision and it was reviewing its position. The dispute over the patent, which relates to the preparation of the spinning solution, now reverts to a New York court.

Courtaulds may continue to use the process but could be liable for damages if that court rules in Lenzing's favour.

Courtauld shares fell 7p to 307½p. Lenzing rose Sch10 to Sch780.

Tradepoint near refinancing deal

By John Gapper, Banking Editor

Tradepoint, the alternative share trading market to the London Stock Exchange, is lose to a refinancing agreement that would provide it ith between £10m and £12m 17m-$20m) of fresh capital, d allow it to keep operat for at least two years.

The exchange, which ers the electronic ordertching of shares to both kers and investors, has n yet captured enough b ness to break even and re ired an emergency refina ing of £775,000 through a s re placing last month.

T refinancing, which is lik to dilute current equ holders, is led by Apa Partners, the venture capi group, and is likely to i ve a consortium of inves s. It is expected to be concl d this week.

Alt gh Tradepoint, a pione f order-driven trading in ge company shares in Lon , is close to having traded n of shares since its ope g in September 1995, it has not attracted a steady volume.

The exchange yesterday matched £1m of trades, compared with some £9m last Friday. Investors are thought to have found some difficulty in adapting to its clearing and settlement system, which is similar to those of futures exchanges.

Tradepoint faces direct competition from the London Stock Exchange, which is due to start order-driven trading of FTSE 100 shares from October provided that it receives approval from regulatory authorities.

The Securities and Investments Board is today expected to give broad approval to the exchange's proposals for "worked trades", which will form one of the main means for trading large blocks of shares under the new regime.

Under the refinancing last month, intended to keep Tradepoint going while the longer-term refinancing was negotiated, Tradepoint placed £1.6m new shares at 50p each.

Signet's US sales up 9%

By David Blackwell

Signet, the jewellery retailer, said like-for-like sales so far this year were more than 6 per cent ahead.

The shares edged up ½p to 30¼p as trading commenced following the capital reconstruction approved last month by shareholders.

The group, which changed its name from Ratners in 1993 after running into financial difficulties, said like-for-like sales for the 23 weeks to July 12 had increased by 6.6 per cent.

The strongest growth was in the US, with a rise of 9 per cent. Sales at Ernest Jones in the UK were up more than 7 per cent.

Mr James McAdam, executive chairman, said profits had "shown very satisfactory growth on both sides of the Atlantic".

Under the reconstruction, the value of the old ordinary shares has been diluted to 17.5 per cent of total equity. Preference shareholders have received new ordinary shares after waiving £164.5m in dividend arrears.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Adam & Harvey	Yr to Mar 31	46.8	(51)	5.17	(4.55♠)	67.4	(53.6	14.75☨	Sept 5	13.5	27	24.5
Birkdale	Yr to Mar 31	13.3	(13.2)	0.324♥	(2.67L♠)	0.27	(2.8L	nil	-	nil	nil	nil
Crest Packaging	Yr to Apr 30	50.4	(48)	3.8♠	(3.17)	7.8	(6.2	2.75	Sept 15	2.75	4.125	4.125
Lotteryking Φ	Yr to Apr 30	1.66	(1.38)	0.004	(0.266)	0.002	(0.103	-	-	-	-	-
Pursair	6 mths to May 31	34	(25)	2.1	(1.54)	5.4	(4.1)	2.1	Sept 26	1.9	-	5.6
PSIT	Yr to Mar 31	23.2□	(22.4□)	16	(18)	9.49	(9.1)	1.5	Oct 1	3.75	6.5	6
Sketchley	Yr to Mar 31	157.6	(139.1)	4.33L♠	(3.5L♠)	5L†	(4.7L)	nil	-	2.4	1.1	3.5
Uno	Yr to Apr 26	41.1	(24.2)	0.862♠	(1.06)	2	(4.31)	3	Sept 5	-	3	-
Viewinn Φ	6 mths to Mar 31 ☆	9.96	(4.2)	0.323L	(0.169L)	10.77L	(10.03L)					

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ☨Foreig come dividend. ♠After exceptional charge. ♥After exceptional credit. ΦAim stock. □Net property income. †On increased capital. ☆Comparatives for 7½ months.

European IT deals at record level

By Paul Taylor

Growing globalisation lay behind record merger and acquisition activity in the European information technology industry in the first six months of this year.

A total of 707 deals were struck, worth $31bn.

The figures, prepared by Broadview Associates, cover computer software and services, hardware, telecommunications and media market segments.

European transactions across these sectors increased by 14 per cent on last time, when 619 deals were struck, worth $30.8bn.

Mr Victor Basta, Broadview's London-based managing director, said: "European IT and communications companies are merging or acquiring at an unprecedented rate and at generally higher valuations than a year ago. They are attracting a lot of attention from abroad and specifically the US, bearing out our earlier forecast which highlighted globalisation as an important catalyst for merger and acquisition activity in the IT, telecommunications and media sectors."

US buyers overtook British companies in the European M&A stakes for the first time, undertaking 198 deals against the UK's 196.

There were 62 deals involving telecommunications companies during the first half, worth a total of 14.5bn, compared with 55 at 4.5bn last time. This cluded Veba buying 45 per nt of Vebacom from Cable d Wireless for $1.34bn.

The number of IT transac ns in North America reased by 20 per cent to 7.

Lola out of the pits with MBO

By John Griffiths

Administrators have accepted a conditional management buy-out offer for Lola Cars, one of the UK's best-known motor racing groups, which collapsed in May after the costly failure of its first venture into Formula One. The MBO team excludes Mr Eric Broadley, Lola's founder and former chairman, who was the driving force behind the Formula One venture.

The subsidiary, Lola Formula One, was liquidated in April with debts of more than £6m ($10m), about half of which was owed to the parent company.

Mr Peter Dunn of administrator Latham Crossley & Davis, last night would not specify the size or source of the equity injection being offered. Unsecured debts are known to have been about £6m, with banks owed £2.5m. There should be a "substantial" compensation for creditors after completion, according to Mr Dunn.

There are also litigation problems. Lola is being sued in the US by the Carl Haas IndyCar racing organisation for up to $6m for alleged disruption of its Lola distribution franchise in North America. Litigation is also continuing between Lola Cars and the liquidators of the Formula One venture.

LAW

Mergers not tax avoidance

EUROPEAN COURT

The European directive on the common system of taxation applicable to mergers, divisions, transfers of assets and exchanges of shares concerning companies of different member states, did not require the acquiring company to carry on business itself, or that there be a permanent merger of the business of two companies into a single unit, the European Court of Justice ruled last week.

The case arose out of proceedings brought by Mrs Leur-Bloem, the sole shareholder and director of two private Dutch companies. She planned to acquire the shares in a third private company, which was a holding company, and to pay for this by exchanging shares in the first two companies.

Mrs Leur-Bloem asked the Netherlands tax authorities to treat the proposed transaction as a "merger by exchange of shares" so she would be entitled to an exemption on any gain made on the transfer of shares and to set off any losses within the tax entity thus created.

The Amsterdam Regional Court of Appeal considered that in order to resolve the dispute between Mrs Leur-Bloem and the Dutch tax inspector, it needed to interpret a provision of Netherlands law which had been inserted when the European directive had been transposed into domestic law. The Amsterdam court stayed proceedings and referred a number of questions to the European Court of Justice for a preliminary ruling under Article 177 of the EC Treaty.

The national court asked if the European Court had jurisdiction under Article 177 to interpret Community law where it did not directly govern the situation but the national legislature had chosen to treat purely internal situations and those governed by the directive in the same way, aligning its legislation to Community law.

The ECJ noted the procedure provided for in Article 177 was a means of co-operation between the Court of Justice and national courts. It followed that it was for the national courts to determine the need for a preliminary ruling and the relevance of questions put to the Court.

The Dutch court considered the concept of "merger by exchange of shares", taken in its Community context, needed to be interpreted to resolve the dispute before it, that the concept was contained in the directive, that it had been incorporated into domestic law, and that it had been extended to similar but purely internal situations.

The Court therefore ruled that it had jurisdiction under Article 177 to interpret Community law where the situation in question was not governed directly by Community law.

The Court ruled the directive did not require the acquiring company within the meaning of the directive, to carry on business itself, or that there be a permanent merger, from the financial and economic point of view, of the business of two companies into a single unit. Similarly, the fact that the same person who was the sole shareholder and director of the acquiring companies became the sole shareholder and director of the acquiring company, did not prevent the operation in question from being treated as a "merger by exchange of shares".

Finally, the Court ruled that in determining whether the operation had as one of its objectives tax evasion or tax avoidance, the competent national authorities had to carry out an examination of the operation in each case. Such an examination had to be open to judicial review.

Case C-28/95: Leur-Bloem v Inspecteur der Belastingdienst/Ondernemingen Amsterdam 2 (FC) July 17 1997

BRICK COURT CHAMBERS
BRUSSELS

INTERNATIONAL PEOPLE

Attar appointed by Sonatrach

The sudden appointment a week ago of Mr Abdelmajid Attar as acting director-general of Algeria's national oil and gas company Sonatrach came as a surprise to foreign oil companies operating in Algeria.

The new head of Sonatrach, which generates more than 95 per cent of Algeria's foreign exchange revenues and is a main supplier of gas to Europe, is its well-regarded former exploration and international affairs chief. He is expected to follow through Sonatrach's joint ventures, now including deals with British Petroleum and the US' Atlantic Richfield, and its ambitious gas expansion plans.

His appointment followed the arrival of a new minister of energy and mines, Youcef Yousfi, who had been one of the architects of Algeria's strategy of opening up to foreign oil and gas producers. Although it is common practice for new ministers in Algeria to bring in their own teams, Sonatrach was seen by international companies to be efficiently run by Nazim Zouioueche, the former head, who was bent on modernising the company and credited with having delivered large foreign deals.

Just before the June 5 legislative election which led to the new government, Zouioueche had unveiled wide-ranging reorganisation plans to streamline operations, bring in new blood, and spin off non-core assets.

Industry sources say the reorganisation plans may have threatened senior Sonatrach officials with powerful connections, one reason which could explain the replacement of Zouioueche, and could now lead to a re-thinking of reorganisation efforts.

According to one British analyst, the move also points to the government's determination to raise the profile of the ministry of energy, rather than the company. Yousfi, the new minister, is a former Sonatrach official, who was also a close aide to President Liamine Zeroual. Over the past three years, Sonatrach's signing of such deals as British Petroleum's $3.5bn contract to develop gas fields, had boosted its profile while the Algerian government, caught in a political crisis and a struggle with Islamic militants, appeared mired in confusion.

Roula Khalaf, London

Houtakkers joins EASDAQ

EASDAQ, the European stock exchange, has announced the appointment of Servaas Houtakkers as chief operating officer. He was previously managing director of Mees Pierson (Luxembourg).

Houtakkers has played a number of roles in the financial sector. He spent six years as a corporate lawyer. Subsequently he was involved in the establishment of Mees Pierson's private bank in Belgium and then became responsible for managing the development of Mees Pierson (Luxembourg). He said: "It is a great opportunity to participate in the building of a truly European stock exchange. EASDAQ is growing fast but with a relentless commitment to the quality of the market in the longer term."

Ivory retires from private bank

Angus Ivory, who established the London office of Brown Brothers Harriman, the UK offshoot of the most private of Wall Street's private banks, is retiring.

He will be succeeded as managing director by Duncan Clark who has been with the firm for 12 years and who has been responsible for UK institutional sales. Ivory, who set-up the London office 23 years ago will continue as a non-executive director.

The firm also announced that Geoffrey Mills will assume responsibility for the combined UK and European institutional sales department while Melvyn Harrison, formerly assistant chief financial officer for Lincolnshire County Council has joined the firm as a consultant.

Lisa Wood, London

Upheaval at Micro Focus

Micro Focus, the computer and software group with operations in the UK and the US surprised the London Stock Exchange with the appointment of Martin Waters as president and chief executive following the resignation of Marcelo Gumucio.

Gumucio, chief executive since April 1996 was responsible for improving operations and increasing profitability for the company. He will return to Gumucio, Burke and Associates, a family-owned investment firm, but will continue with Micro Focus as a consultant.

The company said Gumucio's departure was by "mutual agreement" and reflected the intention of the group to shift its emphasis from products to supplying services.

Micro Focus said that Waters brought it over 20 years experience in managing successful information technology operations. Previously he was president and chief executive of Platinum Solutions, the professional services subsidiary of Platinum Technology. Prior to that he was president and chief executive of Locus Computing Operations.

Michael Gullard, chairman of Micro Focus said: "Martin brings a wealth of experience in both management and software development. His ability to visualise customer needs and to create compelling solutions to meet those needs will be a great asset. Martin will be able to build on the profitable structure that Marcelo Gumucio has helped to create over the past eighteen months."

Paul Taylor, London

Moving places

■ SALOMON BROTHERS continues to expand its Asia Pacific equity commitment with two senior appointments. William Chou will join Salomon Brothers as a managing director and member of the Asia Pacific management committee. Prior to joining Salomon Brothers he was at SBC Warburg. Joining as director and head of equity sales Hong Kong, is Otto Chen also previously with SBC Warburg.

■ COLUMBIA SPORTSWEAR COMPANY of Portland, Oregon has appointed John Evans director of finance and operations for Europe. For the past five years he has been vice-president finance for the Canadian division.

■ BZW, the global investment bank of the Barclays Group, has announced a further strengthening of its fixed income operation in Japan, with the appointment of eight key executives to its yen and non-yen bonds and derivative team. Leslie Haarup joins BZW as a director and head of an international sales team that will concentrate on yen fixed income and derivative sales to foreign clients, including US hedge funds and Asian clients. She was previously managing director and head of institutional taxable fixed income sales at Bear Stearns in New York. Also joining BZW as part of Haarup's team are Bryan Yamashita and Timothy Kerans. Yamashita was previously a member of the international sales group at Lehman Brothers, Japan. Kerans was previously a bond trader/technical analyst at Banco Santander in Singapore. In the yen bond trading area, Shuji Kawashima joins BZW as director, yen bond trading, responsible for market-making. He previously worked on the yen desk at Merrill Lynch Japan. On the derivatives side, Yukihiro Aizawa joins BZW's Tokyo fixed-income derivatives team as a director and head of bond options. He was previously with Merrill Lynch Japan. Diana Wong, formerly at Morgan Stanley in New York, joins as derivatives trader. Koichi Hamaguchi joins the derivatives sales desk from Fuji Capital Markets. On the European bond side, Gary Hyman, director, transfers from BZW in London to join the Tokyo team of European government bond traders.

■ Leni Boeren, 33, will be appointed marketing director of AMSTERDAM EXCHANGES with effect from October 1. She will manage the marketing department. She is presently employed as head of the securities product management department of IRIS, the Institute for Research and Investment Services, a joint subsidiary of Rabobank/Robeco.

■ CHINA APOLLO HOLDINGS has appointed Julius Wang as an executive director of the company. He replaces Wang Hui Hui Huang.

■ Ragnar Back has been named managing director of ERICSSON TELECOMUNICAZIONI replacing Giovanni De Guzzis, who becomes deputy chairman.

■ Guiseppe Grassano, former chief executive of Banca Popolare di Milano, is to become managing director at the BANCA POPOLARE COMMERCIO E INDUSTRIA GROUP.

■ BERTLELSMANN has announced that Thomas Middelhoff will succeed Mark Woessner as chairman of the group in October 1998. Middelhoff was appointed to the management board 1994 and was responsible for strategy, information and co-ordination of the multimedia business. Middelhoff will be replaced on the management board by Stephan Kruemmer.

■ JARDINE INTERNATIONAL MOTOR HOLDINGS has appointed Norman Lyle a director of the company. He will replace Christopher Cowan.

■ PROVIDENT BANK, has announced the appointment of Kevin Kristick to vice-president, commercial group. In his new position, Kristick is responsible for developing and marketing new tax lease products and services.

■ AP MOLLER'S shipyard ODENSE STAATSKIBSVAERFT has appointed John Skov Hansen as its new managing director. Hansen succeeds Kurt Andersen, who will remain with the company. Hansen has been employed at Odense Staalsskibsvaert since 1971 and has been deputy managing director for three years.

■ CREDIT AGRICOLE INDOSUEZ has appointed James Foo as senior country officer for the bank's operation in Singapore. He will also serve as general manager of the branch and managing director of the merchant bank.

■ ELECTROLUX Malaysia has appointed Herbert Tang Seng Kok as the divisional sales manager and Simon Loke Kwok Wah as product manager.

■ CAJA DE MADRID has appointed Mercedes de la Merced to its board, She will replace Jaime Terceiro, the former chairman of the savings bank.

■ Patrice Colais, 42, has been appointed finance director of NATEXIS, the group created by the Credit National - BCFE merger.

■ The Danish mortgage institution NYKREDIT has appointed Hans Christian Drost as head of its German subsidiary, Frankfurter Bodenkreditbank. Drost will take up the post on October 1. The present head, Jorgen Bang, will remain a member of the senior management team.

■ The general manager of QATAR STEEL COMPANY (QASCO), Nasser Mohammed al-Manssory, has been appointed the managing director of the recently formed Qatar Hot Briquetted Iron Company (Qabico). The company's chairman is Electricity and Water Minister Mohammed Ali al-Subaie, while the vice-chairman is Kuwait's Saud al-Osiam.

■ Aaron Henderson, head of fixed income research at BANKERS TRUST, has resigned. No replacement has been announced yet.

■ LEHMAN BROTHERS have appointed Klaus Baader senior international economist responsible for Germany. He was previously currency economist at Deutsche Morgan Grenfell.

Jean-Louis Vinciguerra, managing director of Barclays de Zoete Wedd for France, and former finance director at the Pechiney group, has been appointed head of investment banking at INDOSUEZ in Asia.

International appointments

Please fax information on new appointments and retirements to +44 171 873 3926, marked for International People. Set fax to 'fine'.

INTERNATIONAL CAPITAL MARKETS

Europe recovers from earlier lows

GOVERNMENT BONDS

By Greta Steyn and Vincent Boland in London and John Labate in New York

European bond markets took their cue from the US ahead of the appearance in Congress of Mr Alan Greenspan, the chairman of the Federal Reserve, for his semi-annual testimony on the economy.

After quiet early trading, markets recovered to close off the day's lows. The audit of French public finances, which showed a budget deficit of 3.5-3.7 per cent of gross domestic product, contained few surprises but pointed to a wider, softer single European currency.

"The message is that the euro is likely to be a weak currency," said Mr Julian Jessop, at Nikko Europe.

FRENCH BONDS fell in early trading, but steadied after Mr Dominique Strauss-Kahn, finance minister, said France would do everything possible to qualify for European monetary union.

The bond market moved broadly in line with Germany, slightly underperforming bunds. The September futures contract settled 0.14 lower at 130.22 while 10-year OATs rose one basis point to yield 5.44 per cent.

ITALIAN BTPs bucked the weaker trend, closing firmer after after falling earlier in the day. Analysts said the message from France was that convergence trades would continue, implying demand for Italian bonds.

The French announcement, and expectations of a good consumer price index figure shortly before the close of trade, saw Italy's September bond futures contract settle at 136.56, up from Friday's 136.42.

The SPANISH BONO market was in pessimistic mood, with fretting about the possibility of a delay to Emu pushing the spread over bunds higher. Other European markets lifted the Spanish market off its lows in the afternoon. The 10-year bond fell to 108.00 from 108.11 and the future was down to 117.58 from 117.68 at Friday's close.

UK GILTS also improved after falling earlier from overnight levels. In an otherwise quiet period for domestic market-setting factors, investor attention is focused on the release tomorrow of retail sales figures for June, which will be a key pointer to whether interest rates will be raised again, and how soon.

The September bond futures contract settled in London at 114 15/32, down 9/32.

GERMAN BUNDS fell as the D-Mark continued to weaken against the dollar, but recovered as investors greeted the announcement that M3 growth in June, at 6.4 per cent [illegible]us 7 per cent in May, wa[illegible]ithin target for the first [illegible] this year.

The Sept[illegible]ber bond futures contr[illegible] settled in London at 102[illegible] down just five ticks from overnight level but well [illegible] the day's low of 102.53.

US TREASUR[illegible]S moved slightly lower. [illegible] midday, the 30-year bond [illegible]d fallen 1/16 to 101 1/32, lifting [illegible] yield to 6.531 per cent. Th[illegible]wo-year bill was down 1/32 [illegible] 100 1/32, yielding 5.894 per c[illegible] while the 10-year bond [illegible] 1/32 to 102 31/32, yielding 6.249 [illegible] cent.

"If [Mr] Greenspa[illegible]s he expects a temporar[illegible] low-down, we could see [illegible]nificant trading down [illegible] the short end of the ma[illegible]t," said Mr M. Cary Leahey, chief US economist at High Frequency Economics in Valhalla, New York. The two-year note is especially vulnerable, since short-term securities are traded more in anticipation of Federal Reserve policy than the long bond, which is more susceptible to inflation fears.

In recent months, the yield spread between the two-year Treasury bond and the Fed funds rate has narrowed considerably, to about 40 basis points, suggesting that investors are still expecting a "neutral" near-term Federal Reserve policy. The spread had widened as much as 120 points in late 1996, on expectations of a Fed move.

Multi-currency deal by Cariplo linked to euro

INTERNATIONAL BONDS

By Edward Luce

Cariplo, the Italian savings bank, yesterday issued the first multi-currency bond from an Italian corporate borrower that can be converted into the planned European single currency.

The three-tranche bond – issued in D-Marks, French francs and lire – was described as "synthetically" fungible owing to the different tax treatment between the lira portion and the remainder of the issue.

"Cariplo is making a strong vote of confidence in Italy's prospects of joining [European monetary union]," said an official at Deutsche Morgan Grenfell, sole book-runner on the D-Mark and French franc tranches. "It is also making a bid for Europe's main investment institutions in advance of 1999," he added.

The deal's DM300m and FFr1bn tranches will be directly fungible with each other after the euro has come into existence. The two eurobond issues are floating-rate bonds priced to yield 10 basis points over Libor.

The L600bn tranche is technically an international bond rather than a eurobond. It also carries a five-year maturity, has a fixed coupon of 6.25 per cent but can be converted by Cariplo into a floater in August 1998 or in the same month each year thereafter.

Officials yesterday pointed out that the bond would become the largest floating-rate issue by a European bank in any currency other than US dollars if the lira portion were converted to a floating-rate issue next year.

"In practice, if Italy joins the first round of Emu, Cariplo will convert the lira tranche to a floating bond, because the cost of Italian funding would obviously have fallen quite dramatically," one banker said.

Syndicate officials said the issue was distributed to a wide variety of European institutional funds, money-market investors and bank treasury departments. Cariplo was sole book-runner for the Italian tranche.

INDIAN RAILWAY FINANCE tapped the eurobond market for only the second time with a $150m floating-rate bond. An official at ANZ Investment Bank, sole book-runner, said the offering contained clauses pledging "100 per cent maintenance of government ownership".

It also include a "letter of comfort" from India's ministry of railways pledging to service the bond should the borrower meet unforeseen difficulties. "In effect, this is the same as a sovereign guarantee," said the official.

The seven-year bond was priced to yield 75 basis points over six month Libor – around 40 basis points tighter than Indian Railway's debut offering in 1996. In the absence of a sovereign benchmark by India, Indian Railway is considered the closest substitute.

TESCO, the UK supermarket chain, tapped the eurobond market for the first time since 1993 with a £250m 10-year offering priced to yield 45 basis points over gilts. The issue, proceeds of which will refinance a bridge loan Tesco negotiated to make an acquisition in Ireland earlier this year, was "overwhelmingly" supported by UK investors said an official at UBS, sole book-runner. The paper tightened by [illegible]nd one basis point after [illegible]nch.

GE[illegible] of the UK, als[illegible] return[illegible] to the markets with its fir[illegible]ve-year deal in US dollars [illegible]nce last October. The $5[illegible] offering was targeted [illegible] Swiss investors, who ac[illegible]nted for about 80 per cent [illegible] distribution, said an offici[illegible]t SBC Warburg, lead man[illegible]r.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
GECC	500	6.25	99.68R	Aug 2002	0.2[illegible]	+6(Wl 5yr)	SBC Warburg
ING Bank	250	6.125	99.682R	Aug 2000	0.20	+15(6¼May00)	Tokyo-Mitsubishi Intl
Indian Railway Fin Corp‡	150	(a)	100.00	Jul 2004	0.50	-	ANZ Investment Bank
D-MARKS							
Spintab	500	4.75	99.75R	Aug 2002	0.25R	+25(4¾Feb02)	BayerLB/Morgan Stanley
Cofinoga‡	300	(b)	99.92R	Aug 2004	0.20R	-	Paribas
Cariplo, London Branch(c)‡	300	(d)	99.989R	Aug 2002	0.175R	-	Deutsche Morgan Grenfell
STERLING							
DSL Bank	250	7.25	99.038R	Aug 2007	0.325R	(7¼Dec07)	HSBC/JP Morgan Secs
Tesco	250	7.50	98.957R	Jul 2007	0.35R	(7¼Dec07)	UBS
Woolwich‡	250	(e)	99.905	Aug 2004	0.20	-	Barclays de Zoete Wedd
FRENCH FRANCS							
UBS, London Branch	2bn	5.875	99.308R	Aug 2009	0.375R	35(i)	UBS France
Cariplo, London Branch(c)‡	1bn	(f)	99.898R	Aug 2002	0.175R	-	Deutsche Morgan Grenfell
ITALIAN LIRE							
Cariplo, Milan(c,g)	600bn	6.25	101.13	Aug 2002	1.50		Cariplo
PESETAS							
FTH Bancaja 1, Cls A(h)‡	19.25bn	(h1,s)	100.00	Dec 2007	0.25		JP Morgan Securities
Finnish Export Credit(j)	10bn	(j1)	101.50	Aug 2012	1.50		Deutsche Morgan Grenfell

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at [illegible]ch supplied by lead manager. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) 6-mth Libor +7[illegible] b) 3-mth Libor +⅛%. c) Issuer may consolidate issues upon Emu. d) 3-mth Libor +10bp. e) 3-mth Libor +1/16%. f) 3-[illegible]ibor +10bp. g) Exchangeable annually at issuers option into FRN paying 3-mth Libor +10bp. h) Forfondo de Titulizaci[illegible]potecaria. Legal maturity: Mar 2017. Av life: 4.6 yrs. h1) 3-mth Libor +16bp. h2) Class B: Pta750m, 3-mth Libor +45bp[illegible] Bancaja. i) Over interpolated yield. j) Callable on 25/8/99 at par. j1) 5.4% to 25/8/99, then 7.3%. Long last coupon. [illegible]ort 1st coupon.

CAPITAL MARKETS NEWS DIGEST

Kazakhstan bank to issue ADRs

Kazkommertsbank, Kazakhstan's largest private bank, has become the first Kazakh company to access international capital markets with a $43m offering of American Depositary Shares, equivalent to 28 per cent of its equity. The deal, which was several times oversubscribed, highlights Kazakhstan's effort to speed its integration with global capital markets.

Kazkommertsbank, founded in 1991, is viewed as the most internationally experienced of Kazakhstan's banks, as well as the most politically connected. Last January, it became the first Kazakh bank to obtain an international credit rating, of B–, and recently took out a $20m syndicated loan arranged by Bankers Trust.

The bank, which has assets of $280m, will use the new funds to take advantage of a shift in the banking industry across the Commonwealth of Independent States, where triple-digit interest rates have fallen back to double digits under tough, IMF-inspired monetary policies. Previously, banks could make high returns by recycling cheap deposits into short-term government securities earning high interest rates, but a new emphasis is being placed on longer-maturity corporate loans. *Charles Clover, Moscow*

INTERNATIONAL FINANCING

Israel Electric to raise $1bn

Israel Electric Corporation, the state-owned electricity company, plans to raise $1bn on US and European bond markets at the end of this year and throughout 1998. IEC said Lehman Brothers, the US investment bank, would lead manage the offering, with Salomon Brothers and Goldman Sachs as co-managers. Terms have yet to be set.

The company also plans to arrange credit totalling DM600m from three German banks – KfW Germany, Société Générale Germany and Bayerische Landesbank. Between 1992 and 1996, IEC signed financing deals amounting to DM980m with German banks. The company said potential purchases of equipment from German companies could total DM900m. *Avi Machlis, Jerusalem*

BUND FUTURES TRADING

Liffe appoints SBC Warburg

The London International Financial Futures Exchange has appointed SBC Warburg as "designated market-maker" in the five-year German bund future (Bobl), which will be launched on September 18. Liffe has also appointed First Continental Trading Europe, a subsidiary of the US-based company, as market-maker in its Bobl options contract. SBC Warburg has undertaken to "ensure the necessary liquidity" in the Bobl contract through Liffe's open outcry system. This will involve providing a maximum bid/offer spread of two ticks in a minimum size of at least 200 lots in the most actively traded contract month. *Edward Luce*

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	10/07	124.9744	–0.450	6.60	6.67	7.23
Austria		5.625	07/07	99.9900	–0.020	5.63	5.75	5.97
Belgium		6.250	03/07	0.0000	-	0.00	5.66	5.87
Canada *		7.250	06/07	108.0400	–0.220	6.02	6.00	6.36
Denmark		7.000	06/07	106.6600	+0.020	6.10	6.11	6.26
France	BTAN	4.750	03/02	100.6292	+0.330	4.59	4.43	4.69
	OAT	5.500	04/07	100.4800	+0.420	5.43	5.40	5.72
Germany Bund		6.000	07/07	103.1300	+0.010	5.56	5.53	5.80
Ireland		8.000	08/06	111.0000	–0.310	6.36	6.39	6.72
Italy		6.750	02/07	102.3000	+0.130	6.42†	6.39	7.05
Japan	No 148	5.600	06/02	0.0000	-	0.00	1.57	1.61
	No 182	3.000	09/05	0.0000	-	0.00	2.28	2.40
Netherlands		5.750	02/07	101.6800	–0.060	5.51	5.51	5.66
Portugal		9.500	02/06	121.5700	–0.190	6.18	6.16	6.43
Spain		7.350	03/07	107.9600	–0.060	6.21	6.22	6.51
Sweden		8.000	08/07	110.5000	–0.240	6.54	6.44	6.93
UK Gilts		7.000	06/02	99–11	–3/32	7.16	7.15	7.01
		7.250	12/07	101–12	–8/32	7.06	7.09	7.11
		9.000	10/08	114–20	–9/32	7.09	7.12	7.17
US Treasury *		6.625	05/07	102–21	–3/32	6.26	6.24	6.55
		6.625	02/27	101–04	–5/32	6.54	6.54	6.83
ECU (French Govt)		5.500	04/07	97.3800	+0.110	5.86	5.71	5.99

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: Standard & Poor's MMS.

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	5.91
Prime rate	8½	Two month	-	Three year	6.03
Broker loan rate	7¼	Three month	5.26	Five year	6.17
Fed.funds	5 5/16	Six month	5.37	10-year	6.26
Fed.funds at intervention	-	One year	5.59	30-year	6.54

BOND FUTURES AND OPTIONS

France

NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	130.38	130.22	–0.14	130.38	130.08	65,893	208,193
Dec	99.16	99.02	–0.14	99.16	99.04	788	5,290
Mar	98.56	98.42	–0.14	98.56	98.56	-	-

LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Aug	Calls Sep	Calls Dec	Puts Aug	Puts Sep	Puts Dec
126	4.22	4.22	-	-	0.02	-
127	3.22	3.27	-	0.01	0.06	-
128	2.23	2.38	-	0.01	0.14	-
129	1.27	1.54	-	0.05	0.32	-
130	0.48	0.84	-	0.05	0.62	-

Est. vol. total, Calls 12,027 Puts 7,153 . Previous day's open int., Calls 109,148 Puts 143,309

Germany

NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	102.76	102.72	-0.07	102.80	102.53	79702	273694
Dec	101.66	101.81	-0.08	101.86	101.66	68	10454

BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Aug	Calls Sep	Calls Oct	Calls Dec	Puts Aug	Puts Sep	Puts Oct	Puts Dec
10250	0.33	0.71	0.55	0.89	0.11	0.49	1.24	1.58
10300	0.09	0.45	0.37	0.70	0.37	0.73	1.56	1.89
10350	0.02	0.26	0.24	0.53	0.80	1.04	1.93	2.22

Est. vol. total, Calls 13238 Puts 7187. Previous day's open int., Calls 194252 Puts 270235

Italy

NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	136.40	136.56	+0.14	136.70	135.85	42696	109032
Dec	108.00	108.56	+0.18	108.00	108.00	35	2410

ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
8000		28.56		0
8050		28.06		0
8100		27.56		0

Est. vol. total, Calls 922 Puts 1707. Previous day's open int., Calls 89948 Puts 114198

Spain

NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	117.62	117.58	–0.10	117.62	117.19	86,468	86,468
Dec	101.14	101.38	–0.35	-	-	273	273

UK

NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	114-22	114-15	-0-09	114-23	114-11	31494	165008
Dec		114-03	-0-09			0	1138

LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Aug	Calls Sep	Calls Oct	Calls Dec	Puts Aug	Puts Sep	Puts Oct	Puts Dec
114	0-39	1-09	1-17	1-47	0-09	0-43	1-11	1-41
115	0-09	0-39	0-53	1-18	0-43	1-09	1-47	2-12
116	0-02	0-19	0-32	0-59	1-36	1-53	2-28	2-53

Est. vol. total, Calls 2015 Puts 268. Previous day's open int., Calls 50008 Puts 36737

Ecu

ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	97.16	97.00	-0.16	97.16	97.00	40	6,400

US

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	114–04	114–04	–0–02	114–08	113–29	270,325	492,461
Dec	113–25	113–24	–0–02	113–25	113–18	2,598	33,436
Mar	-	113–17	-	-	-	741	16,083

Japan

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	124.99			125.03	124.98	13	na
Dec						0	na

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FTSE Actuaries Govt. Securities

Price Indices UK Gilts	Mon Jul 21	Day's change %	Fri Jul 18	Accrued interest	xd adj. ytd
1 Up to 5 years (20)	119.53	–0.01	119.55	[illegible]	[illegible]
2 5-15 years (20)	151.94	–0.18	152.22	[illegible]	[illegible]
3 Over 15 years (6)	183.18	–0.26	183.65	[illegible]	[illegible]
4 Irredeemables (5)	212.75	–0.26	213.30	[illegible]	[illegible]
5 All stocks (61)	147.07	–0.14	147.28	[illegible]	[illegible]
Index-linked					
6 Up to 5 years (2)	205.87	0.00	205.87	[illegible]	[illegible]
7 Over 5 years (10)	200.15	–0.16	200.46	[illegible]	[illegible]
8 All stocks (12)	199.86	–0.14	199.96	[illegible]	[illegible]

Average gross redemption yields are shown above. Coupon Bands: Low: [illegible]; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

UK Indices

	Low coupon yield Jul 21	Jul 18	Yr. ago	Medium coupon yield Jul 21	Jul 18	Yr. ago	High coupon yield Jul 21	Jul 18	Yr. ago
5 yrs	7.15	7.12	7.31	7.19	7.17	7.38	7.26	7.23	7.43
15 yrs	7.04	7.01	8.13	7.07	7.04	8.13	7.16	7.12	8.23
20 yrs	7.04	7.01	8.24	7.02	6.99	8.22	7.13	7.10	8.30
Irred.†	7.11	7.09	8.33						

	Inflation 5% Jul 21	Jul 18	Yr. ago	Inflation 10% Jul 21	Jul 18	Yr. ago
Up to 5 yrs	3.63	3.62	2.68	2.93	2.92	1.18
Over 5 yrs	3.54	3.53	3.82	3.32	3.31	3.81

FT Fixed Interest Indices

	Jul 21	Jul 18	Jul 17	Jul 16	Jul 15	Yr ago	High*	Low*
Govt. Secs. (UK)	96.92	97.13	97.08	96.88	96.61	92.95	[illegible]	93.31
Fixed Interest	125.76	125.43	125.15	124.88	124.78	112.92	[illegible]	115.32

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Gilt Edged Activity Indices

	Jul 18	Jul 17	Jul 16	Jul 15	Jul 14
Gilt Edged bargains	NA	NA	NA	NA	NA
5-day average	NA	NA	NA	NA	NA

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on July 21

[illegible]

UK GILTS PRICES

[illegible]

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CURRENCIES AND MONEY

French audit for Emu hits D-Mark

MARKETS REPORT

By Simon Kuper and James Kynge

The D-Mark fell against the pound yesterday, as European monetary union appeared to remain on track after an audit of French state finances. But the dollar's gains against the German currency were modest, and trading was thin.

The audit forecast France's budget deficit for this year at between 3.5 to 3.7 per cent of gross domestic product, if no action were taken. However, Mr Dominique Strauss-Kahn, French finance minister, announced corporate taxes that he said would cut the deficit to 3.1 or 3.3 per cent of GDP. Most economists thought his estimate optimistic, but were reassured that France would be admitted to Emu, and that the project would therefore go ahead. States wanting to join Emu are supposed to keep their budget deficits to 3.0 per cent of GDP or below, but most economists believe the rules will be bent slightly. The forecast French deficit is considered to be within the acceptable range. Mr Steven Englander, international economist at Smith Barney in Paris, said: "I think everybody still thinks we are going to have an Emu as of January 1, 1999. Mr Strauss-Kahn voiced his commitment to Emu pretty clearly."

Mr Mark Geddes, treasury economist at ABN-Amro in London, said there had been little market reaction yesterday because the audit had been leaked fairly thoroughly beforehand.

The pound gained 1.6 pfennig against the D-Mark to close in London at DM3.014. The dollar rose half a pfennig to DM1.796, still well within its range of the last few days. Currency strategists said traders were reluctant to push the dollar higher until they had heard Mr Alan Greenspan, chairman of the Federal Reserve, give his Humphrey-Hawkins testimony in the House of Representatives today. The dollar was also held back by the weak US stock market.

The lira and the French franc firmed marginally on the growing confidence over Emu. They reached L972.9 and FFr3.376 to the D-Mark respectively.

■ The Indonesian rupiah hit its lowest ever level yesterday as Asia's currency crisis continued.

The rupiah touched Rp2,665 to the US dollar in morning trade in Jakarta, down sharply from its Friday close of 2,510 rupiah. After the Bank of Indonesia intervened, the currency rose to 2,635/45 against the dollar. That was still perilously near Rp2,682, the bottom end of the central bank's 12 per cent intervention band. The band was widened from 8 per cent early this month after speculators forced the de facto devaluation of the Thai baht. But the speculators now seem to be using the band as a target.

Mr Rajeev Malik, senior economist at Jardine Fleming Research in Singapore, said the rupiah's slide was driven less by fundamental factors than the fact that the currency had fallen by less than the baht, Philippine peso and Malaysian ringgit this month.

The cycle of south east Asian depreciations has become the prime force anguring for more depreciations, economists said. Thanks to the rupiah's fall, Indonesian exporters can still compete with their Asian neighbours.

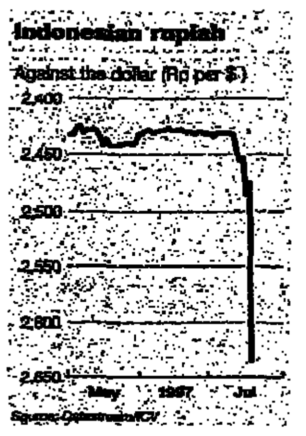
The ringgit fell yesterday to M$2.6160 to the dollar, from M$2.6078 on Friday.

■ Asia's currency crisis even touched the Hong Kong dollar yesterday, reportedly prompting the territory's Monetary Authority to intervene in the market. The authority reduced liquidity by pushing up interest rates all along the yield curve. However, traders say the Hong Kong dollar is equipped to survive any speculative attack. The territory is economically sounder than its Asian neighbours, and relies less on labour intensive manufacturing for export.

Also, Mr Andrew Fung, treasurer at Commonwealth Bank of Australia in Hong Kong, pointed to the $200bn combined reserves in the territory and China, its new ruler which is committed to Hong Kong's currency peg. With the peg seen as a benchmark of stability in the new post-colonial era, the political will to defend it is thought to be strong.

Indonesian rupiah

Against the dollar (Rp per $)



Source: Datastream/ICV

■ Pound in New York

Jul 21	Latest	Prev. close
£ spot	1.6790	1.6800
1 mth	1.6771	1.6783
3 mth	1.6736	1.6748
1 yr	1.6565	1.6574

■ OTHER CURRENCIES

Jul 21	£	$
Czech Rp	57.8420 - 57.9584	34.4790 - 34.5340
Hungary	323.072 - 323.281	192.580 - 192.630
Iran	5034.90 - 5032.80	3000.00 - 3000.00
Kuwait	0.5086 - 0.5090	0.3032 - 0.3033
Poland	5.8129 - 5.8203	3.4650 - 3.4680
Russia	9708.27 - 9714.00	5787.00 - 5788.00
U.A.E.	6.1615 - 6.1644	3.6728 - 3.6730

POUND SPOT FORWARD AGAINST THE POUND

Jul 21		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	21.2087	+0.1132	995 - 179	21.2183	21.0962	21.1543	3.1	21.0416	3.2	20.5361	3.2	101.8
Belgium	(BFr)	62.2369	+0.3176	819 - 918	62.2940	61.8980	62.0569	3.5	61.6869	3.5	59.9369	3.7	101.2
Denmark	(DKr)	11.4779	+0.058	738 - 819	11.4883	11.4171	11.4464	3.3	11.3824	3.3	11.0909	3.4	109.3
Finland	(FM)	8.8922	+0.0329	852 - 992	8.9110	8.8580	8.8669	3.4	8.8144	3.5	8.6017	3.3	81.9
France	(FFr)	10.1759	+0.0449	725 - 792	10.1831	10.1356	10.1429	3.9	10.0859	3.5	9.8104	3.6	103.5
Germany	(DM)	3.0142	+0.0159	130 - 154	3.0179	2.9978	3.0049	3.7	2.9859	3.8	2.899	3.8	101.9
Greece	(Dr)	473.031	+2.19	848 - 214	475.267	470.690	474.814	-4.5	477.436	-3.7	485.806	-2.7	65.0
Ireland	(I£)	1.1231	+0.0053	221 - 241	1.1245	1.1161	1.1226	0.5	1.1212	0.7	1.1103	1.1	98.6
Italy	(L)	2932.64	+11.06	077 - 451	2936.56	2920.29	2932.72	0.0	2932.68	0.0	2930.09	0.1	76.0
Luxembourg	(LFr)	62.2369	+0.3176	819 - 918	62.2940	61.8980	62.0569	3.5	61.6869	3.5	59.9369	3.7	101.2
Netherlands	(Fl)	3.3932	+0.0179	916 - 947	3.3956	3.3751	3.383	3.6	3.3621	3.7	3.2661	3.7	100.5
Norway	(NKr)	12.4543	+0.062	475 - 610	12.4659	12.3855	12.4218	3.1	12.3608	3.0	12.0918	2.9	96.1
Portugal	(Es)	304.598	+1.783	451 - 746	304.813	303.057	304.442	0.6	303.912	0.9	299.824	1.6	92.1
Spain	(Pta)	253.916	+1.45	821 - 011	254.012	252.820	253.601	1.5	252.851	1.7	248.481	2.1	76.6
Sweden	(SKr)	13.0580	+0.0322	469 - 651	13.0698	12.9925	13.0285	2.5	12.97	2.8	12.7135	2.6	85.3
Switzerland	(SFr)	2.4772	+0.0093	761 - 782	2.4786	2.4675	2.4663	5.3	2.4437	5.4	2.3434	5.4	105.5
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	105.2
Ecu	-	1.5260	+0.0072	252 - 268	1.5310	1.5199	1.5227	2.6	1.5155	2.7	1.4815	2.9	-
SDR†	-	1.21580	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6777	+0.004	773 - 781	1.6805	1.6727	-	-	-	-	-	-	-
Brazil	(R$)	1.8141	+0.0037	135 - 146	1.8173	1.8093	-	-	-	-	-	-	-
Canada	(C$)	2.3064	+0.004	054 - 073	2.3099	2.2989	2.2995	3.6	2.2859	3.6	2.235	3.1	85.2
Mexico	(New Peso)	13.2323	-0.0256	228 - 418	13.2755	13.1928	-	-	-	-	-	-	-
USA	($)	1.6780	+0.0036	776 - 783	1.6813	1.6734	1.6763	1.2	1.6726	1.3	1.6561	1.3	103.9
Pacific/Middle East/Africa													
Australia	(A$)	2.2629	+0.0003	609 - 649	2.2671	2.2563	2.2623	0.3	2.2604	0.4	2.2504	0.6	92.1
Hong Kong	(HK$)	12.9983	+0.0242	947 - 018	13.0284	12.9638	12.9973	0.1	12.9909	0.2	12.9358	0.5	-
India	(Rs)	59.8945	+0.1435	400 - 489	59.9490	59.7740	60.0897	-3.9	60.4903	-4.0	62.17	-3.8	-
Israel	(Shk)	5.8209	+0.006	112 - 294	5.9419	5.9014	-	-	-	-	-	-	-
Japan	(Y)	194.374	+0.956	266 - 481	194.530	193.380	193.354	6.3	191.329	6.3	182.344	6.2	132.8
Malaysia	(M$)	4.4055	-0.0032	012 - 097	4.4388	4.3758	4.4097	-1.2	4.4177	-1.1	4.4364	-0.7	-
New Zealand	(NZ$)	2.5627	-0.0032	612 - 642	2.5724	2.5565	2.5625	0.1	2.5635	-0.1	2.5707	-0.3	108.6
Philippines	(Peso)	47.8216	+0.7626	729 - 707	50.5367	46.9715	47.9817	-4.0	48.2311	-3.4	49.2861	-3.1	-
Saudi Arabia	(SR)	6.2932	+0.0132	918 - 946	6.3057	6.2763	6.2897	0.7	6.2812	0.8	6.2448	0.8	-
Singapore	(S$)	2.4541	-0.0019	527 - 554	2.4631	2.4473	2.4495	2.3	2.4394	2.4	2.3912	2.6	-
South Africa	(R)	7.6733	+0.0321	691 - 774	7.6785	7.6484	7.734	-9.5	7.8519	-9.3	8.2889	-8.0	-
South Korea	(Won)	1497.57	-1.02	390 - 124	1504.43	1493.10	-	-	-	-	-	-	-
Taiwan	(T$)	46.8484	+0.074	050 - 917	46.9486	46.7548	46.8318	0.4	46.792	0.5	46.5943	0.5	-
Thailand	(Bt)	51.0852	+0.108	326 - 378	51.4560	50.4720	51.4218	-7.9	51.8834	-6.2	52.9136	-3.6	-

† Rates for Jul 18. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T. The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jul 21		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	12.6397	+0.0408	368 - 425	12.6460	12.5715	12.6157	2.3	12.5867	2.3	12.3427	2.3	101.6
Belgium	(BFr)	37.0910	+0.111	660 - 160	37.1160	36.8860	37.016	2.4	36.8645	2.4	36.171	2.5	101.4
Denmark	(DKr)	6.8404	+0.0201	394 - 414	6.8451	6.8041	6.8287	2.1	6.8044	2.1	6.698	2.1	102.8
Finland	(FM)	5.2995	+0.0085	964 - 025	5.3139	5.2792	5.288	2.6	5.2644	2.7	5.1705	2.4	81.3
France	(FFr)	6.0645	+0.014	637 - 652	6.0714	6.0381	6.053	2.3	6.0291	2.3	5.9203	2.4	103.0
Germany	(DM)	1.7964	+0.0057	960 - 967	1.7975	1.7888	1.7926	2.6	1.7848	2.6	1.7498	2.6	101.7
Greece	(Dr)	281.910	+0.71	860 - 960	283.640	281.180	283.205	-5.5	285.26	-4.8	292.41	-3.7	64.6
Ireland	(I£)	1.4940	-0.004	930 - 950	1.5035	1.4920	1.4932	0.6	1.4923	0.5	1.4927	0.1	-
Italy	(L)	1747.75	+2.9	700 - 850	1750.00	1740.50	1749.52	-1.2	1752.53	-1.1	1755.95	-0.5	75.7
Luxembourg	(LFr)	37.0910	+0.111	660 - 160	37.1160	36.8860	37.016	2.4	36.8645	2.4	36.171	2.5	101.4
Netherlands	(Fl)	2.0222	+0.0064	217 - 227	2.0235	2.0113	2.018	2.5	2.0095	2.5	1.9717	2.5	100.7
Norway	(NKr)	7.4223	+0.0213	198 - 248	7.4291	7.3810	7.4078	2.3	7.3794	2.3	7.2677	2.1	95.7
Portugal	(Es)	181.530	+0.68	480 - 580	181.630	180.660	181.494	0.2	181.44	0.2	180.27	0.7	92.7
Spain	(Pta)	151.325	+0.545	300 - 350	151.430	150.640	151.28	0.4	151.105	0.6	149.93	0.9	76.3
Sweden	(SKr)	7.7809	+0.0027	771 - 847	7.7925	7.7545	7.7718	1.4	7.7525	1.5	7.6785	1.3	84.9
Switzerland	(SFr)	1.4763	+0.0024	760 - 766	1.4790	1.4717	1.4709	4.3	1.4603	4.3	1.4148	4.2	105.0
UK	(£)	1.6780	+0.0036	776 - 783	1.6813	1.6734	1.6763	1.2	1.6726	1.3	1.6561	1.3	104.5
Ecu	-	1.0996	-0.0029	992 - 999	1.1040	1.0977	1.101	-1.6	1.1042	-1.7	1.1198	-1.8	-
SDR†	-	0.727633	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	+0.0003	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.0811	-0.0001	810 - 812	1.0812	1.0810	-	-	-	-	-	-	-
Canada	(C$)	1.3745	-0.0006	742 - 748	1.3750	1.3720	1.3714	2.8	1.3657	2.6	1.3451	2.1	84.9
Mexico	(New Peso)	7.8860	-0.032	820 - 900	7.8900	7.8700	7.9945	-16.5	8.2055	-16.2	9.116	-15.6	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	104.5
Pacific/Middle East/Africa													
Australia	(A$)	1.3486	-0.0027	477 - 495	1.3495	1.3474	1.3484	0.2	1.3478	0.2	1.3435	0.4	93.9
Hong Kong	(HK$)	7.7465	-0.002	460 - 470	7.7500	7.7458	7.747	-0.1	7.7479	-0.1	7.7502	0.0	-
India	(Rs)	35.6950	+0.01	700 - 200	35.7250	35.6620	35.8325	-4.6	36.1175	-4.7	37.33	-4.6	-
Israel	(Shk)	3.5283	-0.0027	236 - 330	3.5406	3.5187	-	-	-	-	-	-	-
Japan	(Y)	115.840	+0.325	800 - 880	115.980	115.420	115.325	5.3	114.325	5.2	110.025	5.0	134.4
Malaysia	(M$)	2.6255	-0.0075	235 - 275	2.6420	2.6085	2.63	-2.1	2.639	-2.1	2.669	-1.7	-
New Zealand	(NZ$)	1.5279	-0.0051	267 - 279	1.5300	1.5265	1.5281	-0.6	1.5305	-0.8	1.5406	-0.9	-
Philippines	(Peso)	28.5000	+0.395	000 - 000	30.2000	28.0000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	-	505 - 506	3.7506	3.7504	3.7513	-0.2	3.7523	-0.2	3.7569	-0.2	-
Singapore	(S$)	1.4625	-0.0043	620 - 630	1.4670	1.4610	1.4607	1.4	1.4569	1.5	1.4375	1.7	-
South Africa	(R)	4.5730	+0.0095	715 - 745	4.5750	4.5635	4.6135	-10.6	4.693	-10.5	4.9955	-9.2	-
South Korea	(Won)	892.500	-2.5	500 - 500	895.000	890.500	-	-	-	-	-	-	-
Taiwan	(T$)	27.9200	-0.015	000 - 400	27.9400	27.8950	27.931	-0.5	27.94	-0.3	28.0325	-0.4	-
Thailand	(Bt)	30.4450	-	200 - 700	30.7000	30.2000	30.89	-17.5	31.595	-15.1	32.825	-7.8	-

† SDR rate per $ for Jul 18. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jul 18: Base average 1990=100.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

July 21	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3 5/8	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.50	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.10	-	4.75
Germany	[illegible]	3 1/8	[illegible]	[illegible]	[illegible]	4.50	2.50	3.00
Ireland	[illegible]	6 1/8	6 1/8	6 1/8	6	-	-	6.75
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.75	6.25	6.82
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	2.50	2.90
Switzerland	1 1/4	[illegible]	[illegible]	[illegible]	[illegible]	-	1.00	-
US	5 1/2	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.46	5.54	5.63	5.79	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jul 21	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
German Mark	[illegible]	3 1/8 - 3	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	3 1/4 - 3 1/8	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5 3/8 - 5 [illegible]
Spanish Peseta	[illegible]	[illegible] - 5 1/4	[illegible]	5 1/4 - [illegible]	[illegible]	[illegible]
Sterling	7 - 6 1/2	[illegible]	[illegible]	[illegible]	7 1/4 - 7 1/8	7 1/2 - 7 3/8
Swiss Franc	1 3/8 - 1 1/8	1 3/4 - 1 1/2	1 5/8 - 1 3/8	1 5/8 - 1 1/2	1 5/8 - 1 1/2	[illegible]
Canadian Dollar	[illegible]	3 3/8 - 3 1/4	3 1/2 - 3 3/8	3 5/8 - 3 1/2	[illegible] - 3 3/4	[illegible]
US Dollar	[illegible]	5 5/8 - 5 1/2	[illegible]	5 3/4 - 5 5/8	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japanese Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	4 1/2 - 4 1/4	5 1/2 - 5	4 3/4 - 4 1/4	4 1/4 - 4 1/8	4 1/4 - 4 1/8	5 3/4 - 5 1/4

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.49	96.50	-	96.51	96.48	7,197	71,213
Dec	96.43	96.45	+0.01	96.45	96.42	4,349	34,688
Mar	96.37	96.38	-	96.39	96.36	723	27,480

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.78	96.79	-	96.79	96.78	15401	293477
Dec	96.67	96.67	-	96.67	96.66	7034	264824
Mar	96.56	96.56	-	96.57	96.54	13071	268960
Jun	96.40	96.40	-0.01	96.41	96.38	5835	190435

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Aug		96.86	-			0	490
Sep		96.83	-			0	298
Oct		96.82	-			0	265
Nov		96.80	-			0	50

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	93.28	93.28	-0.03	93.30	93.25	12038	109876
Dec	93.69	93.68	-0.02	93.70	93.65	9564	86166
Mar	94.02	94.02	-0.01	94.08	93.98	3072	52105
Jun	94.25	94.27	-0.03	94.29	94.23	3164	39812

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	98.43	98.42	-0.01	98.46	98.38	4685	59684
Dec	98.30	98.28	-0.01	98.33	98.24	2047	47589
Mar	98.22	98.19	-0.01	98.24	98.16	1125	18922
Jun	98.05	98.04	-0.01	98.10	98.00	308	7804

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep		99.32	-			0	na
Dec		99.19	-			0	na
Mar		99.00	-			0	na

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.73	95.73	-0.01	95.73	95.72	573	10454
Dec	95.71	95.70	-0.01	95.71	95.70	131	7408
Mar	95.73	95.73	-	95.73	95.73	10	5106
Jun	95.70	95.69	-0.01	95.70	95.69	60	3085

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9325	0.15	0.52	0.88	0.12	0.09	0.11
9350	0.05	0.34	0.69	0.27	0.16	0.17
9375	0.01	0.20	0.51	0.48	0.27	0.24

Est. vol. total, Calls 1050 Puts 702. Previous day's open int., Calls 113544 Puts 59538

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jul 21		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.44	16.35	4.843	1.805	4712	5.452	20.01	489.4	408.0	20.98	3.980	1.607	3.706	2.696	312.3	2.452
Denmark	(DKr)	54.22	10	8.868	2.626	0.979	2555	2.956	10.85	265.4	221.2	11.37	2.158	0.871	2.009	1.462	169.3	1.329
France	(FFr)	61.16	11.28	10	2.962	1.104	2882	3.334	12.24	299.3	249.5	12.83	2.434	0.983	2.266	1.649	191.0	1.500
Germany	(DM)	20.65	3.808	3.376	1	0.373	972.9	1.126	4.132	101.1	84.24	4.331	0.822	0.332	0.765	0.557	64.48	0.506
Ireland	(I£)	55.41	10.22	9.060	2.684	1	2611	3.021	11.09	271.2	226.1	11.62	2.206	0.890	2.054	1.494	173.1	1.359
Italy	(L)	2.122	0.391	0.347	0.103	0.038	100	0.116	0.425	10.39	8.658	0.445	0.084	0.034	0.079	0.057	6.628	0.052
Netherlands	(Fl)	18.34	3.383	2.999	0.888	0.331	864.3	1	3.670	89.77	74.83	3.848	0.730	0.295	0.680	0.495	57.28	0.450
Norway	(NKr)	49.97	9.216	8.171	2.420	0.902	2355	2.725	10	244.6	203.9	10.48	1.989	0.803	1.852	1.347	156.1	1.225
Portugal	(Es)	20.43	3.768	3.341	0.990	0.369	962.8	1.114	4.089	100	83.36	4.286	0.813	0.328	0.757	0.551	63.81	0.501
Spain	(Pta)	24.51	4.520	4.008	1.187	0.442	1155	1.336	4.905	120.0	100	5.142	0.976	0.394	0.908	0.661	76.55	0.601
Sweden	(SKr)	47.67	8.791	7.794	2.309	0.860	2246	2.599	9.539	233.3	194.5	10	1.897	0.766	1.767	1.285	148.9	1.169
Switzerland	(SFr)	25.12	4.633	4.108	1.217	0.453	1184	1.370	5.026	123.0	102.5	5.271	1	0.404	0.931	0.677	78.47	0.616
UK	(£)	62.24	11.48	10.18	3.014	1.123	2933	3.393	12.45	304.6	253.9	13.06	2.477	1	2.306	1.678	194.4	1.526
Canada	(C$)	26.99	4.977	4.412	1.307	0.487	1272	1.471	5.400	132.1	110.1	5.661	1.074	0.434	1	0.728	84.28	0.662
USA	($)	37.09	6.840	6.065	1.796	0.669	1748	2.022	7.422	181.5	151.3	7.781	1.476	0.596	1.375	1	115.8	0.909
Japan	(Y)	32.02	5.905	5.235	1.551	0.578	1509	1.746	6.407	156.7	130.6	6.717	1.274	0.514	1.187	0.863	100	0.785
Ecu	-	40.79	7.522	6.669	1.975	0.736	1922	2.224	8.162	199.6	166.4	8.556	1.623	0.655	1.511	1.100	127.4	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.5613	0.5593	-0.0005	0.5619	0.5588	19,104	107,913
Dec	0.5630	0.5627	-0.0007	0.5631	0.5627	51	1,214
Mar	-	0.5670	-	-	-	57	460

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.8730	0.8722	+0.0012	0.8736	0.8699	16,951	56,883
Dec	0.8807	0.8830	+0.0008	0.8830	0.8806	183	1,704
Mar	-	0.8936	-	-	-	1	152

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6836	0.6821	+0.0004	0.6840	0.6804	12,643	52,339
Dec	0.6884	0.6886	-0.0001	0.6887	0.6882	114	1,397
Mar	-	0.6960	-	-	-	32	710

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.6746	1.6704	-0.0032	1.6784	1.6698	3,959	62,122
Dec	1.6660	1.6654	-0.0024	1.6660	1.6640	13	881
Mar	-	1.6590	-0.0028	-	1.6590	234	198

UK INTEREST RATES

LONDON MONEY RATES

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

EMS EUROPEAN CURRENCY UNIT RATES

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

BASE LENDING RATES

COMMODITIES AND AGRICULTURE

Gold mine closures 'unlikely at current prices'

By Kenneth Gooding, Mining Correspondent

The gold price would have to drop to about $260 a troy ounce before the mining industry made any substantial cuts in production, according to a study commissioned by Merrill Lynch, the US investment bank.

"Don't count on mine closures to balance the market very quickly," writes analyst Mr Ted Arnold in Merrill's Commodity Market Trends report.

The Brook Hunt consultancy, which carried out the study, suggests that a $260 gold price would force 437 tonnes of annual production to shut down.

This represents 18.8 per cent of global gold mine output in 1996, which is estimated by the Gold Fields Mineral Services consultancy at some 2,328 tonnes.

With gold at $300 an ounce the industry would close down 108.4 tonnes of annual output, and at $280 this would rise to 240.7 tonnes, according to the Brook Hunt calculations.

The price of gold recently fell to a 12-year low of $315 an ounce following the revelation that Australia's central bank had sold two-thirds of its official gold reserves.

Mr Arnold suggests that gold prices will move "sideways to lower for many months to come". He sees the price falling quickly to $300 an ounce and then to $280 and, ultimately, $250.

Yesterday, however, gold was back above $324 an ounce, the level before the Australian Reserve Bank made its announcement on July 3.

Traders said that investment funds that had heavily sold short – sold gold they did not own in the expectation that the price would fall – had been covering their positions and taking profits.

Some gold bulls have been arguing that the present price is too low, and that mines would be forced to close – which would inevitably cause prices to rise again.

Mr Arnold argues that forward selling by producers, gold loans for mine developments and central bank sales are more than likely to cancel out any loss of production.

He points out that a study by Union Bank of Switzerland found that, on average, central bank gold holdings were valued at $187 an ounce.

"Sales of gold in the $350 to $300 area for many central banks will not seem harmful to them," Mr Arnold said. "A sale will be yielding a profit and will be a prudent thing to do. The Australian Reserve Bank certainly thinks so," he added.

Zinc stocks fall further

MARKETS REPORT

By Kenneth Gooding and Gary Mead

The London Metal Exchange yesterday reported a further substantial drop in stocks of zinc in its authorised warehouses. This helped to propel the three-month price to $1,540 a tonne, its highest since August 1990.

The higher price then attracted some selling but zinc still ended the day $6 a tonne higher at $1,530.

Analysts have been expecting zinc to fall back after its recent heady rise. Mr Robin Bhar, at Brandeis (Brokers), part of Pechiney of France, said zinc was continuing to surprise. "Until there is a sign that the market is turning you have got to stay long, the weight of money is too heavy," he added.

In the LME's copper market, continuing technical tightness and lack of metal for immediate delivery offset another big rise in exchange stocks – of 3,350 tonnes to 184,400 tonnes. Three-month copper closed at $2,336 a tonne, up $20.

The premium for copper for immediate delivery, compared with metal for delivery in three months, rose to $145–$159 a tonne from $138–$148 on Friday.

Mr Bhar said: "People who are short seem to be rolling forward their positions. The shorts apparently are expecting a coming copper supply surplus to push prices down and allow them to close out the positions at a profit."

LME copper stocks increased by more than 42,000 tonnes last week. Mr William Adams, analyst at Rudolf Wolff, part of Noranda of Canada, suggested this had largely been caused by technical factors and higher premiums for spot copper had encouraged dealers to sell forward.

Cocoa futures fell 3.7 per cent on the London International Financial Futures Exchange, the September contract losing £30 to close at £965 a tonne. Some £27 of the fall happened in the first half-hour of trading.

Specialists said several factors contributed to the continued bearish outlook, not least news that heavy June rainfall in Ivory Coast could mean a bumper crop.

Analysts blamed lower coffee prices partly on the increasing likelihood that Brazil's crop has avoided frost this winter. Sharp falls in New York prices hit contracts in London.

On New York's Coffee, Sugar and Cocoa Exchange September futures fell 6.05 cents a pound to 158.25 cents in morning trading. Liffe's September contract closed $58 a tonne lower at $1,547.

CAP plans disappoint 'green' lobby

Ashley Ashwood

Environmentalists say green schemes account for only 3 per cent of total annual CAP spending of Ecu41bn

European Union spending on "green" farming measures looks set to be squeezed rather than expanded under the proposed reforms of the Common Agricultural Policy, environmental and farming groups said yesterday.

The changes unveiled by the European Commission last week will be discussed informally for the first time tonight by EU farm ministers after their council meeting in Brussels.

The Royal Society for the Protection of Birds, a leading UK conservation organisation, said the moves did little more than extend the 1992 MacSharry reforms.

"They offer little hope for the declining environmental quality of Europe's farmland, and the massive loss of wildlife of recent decades looks set to continue," said Mr Jim Dixon, senior agriculture policy officer.

Agri-environment schemes were introduced at the time of the MacSharry reforms to encourage "green" farming in member states. But environmentalists criticise the fact that they account for only 3 per cent of total CAP spending of Ecu41bn ($45bn) a year.

They include payments to organic farmers, grants for non-intensive livestock grazing, and funds for improving landscape and wildlife features such as hedges and waterways.

The RSPB said the commission's package contained no provision for any increase in funding from the current annual level of Ecu1.4bn.

At the same time, the reforms would increase by a fifth the amount of the CAP budget currently consumed by arable area payments – made to farmers to compensate them for further cuts in cereal support prices.

Brussels forecasts that extending direct aid for further price support cuts will push up the net cost of the CAP by Ecu4bn a year.

"This is bound to restrict funds for protection and management of the environment and for generating rural employment," Mr Dixon said.

The commission's Agenda 2000 document said integrating environmental goals into the CAP was an increasingly important policy objective. It said the commission would "make a proposal enabling member states to make direct payments conditional on the respect of environmental provisions".

But Mr Dixon said this "rhetoric" was not matched by specific proposals. Broad statements had no meaning unless they were tied to arable area payments.

The UK government, while welcoming the thrust of the reforms, agreed there was little concrete in the proposals on the environment.

"We will be arguing strongly at the appropriate occasions for a bigger emphasis on the environmental side," said Lord Donoughue, minister for farming and the food industry.

The Country Landowners' Association, a rural lobby group which has pressed for drastic CAP reform, expressed disappointment that environmental spending could be squeezed.

"We'd hoped it was going to be three-legged reform – agriculture, environment and rural development," said Mr Ewen Cameron, CLA president. "But only one leg has been dealt with." He said extra money was being budgeted outside the CAP for rural development, but this depended on co-funding by member states.

Last November, Mr Franz Fischler, the EU farm commissioner, raised conservationists' hopes by signalling a greater emphasis on the environment and broad rural needs in future agricultural policy. But Mr Dixon said it appeared that opposition from the powerful European farmers' lobby and some member states had caused Mr Fischler to drop his original aims.

He conceded there was also pressure from within the commission to achieve CAP reform rapidly, in order to allow enlargement to go ahead and to meet trade obligations.

Alison Maitland

Russian grain forecasts raised

By Gary Mead

Russia is on track for a much better grain harvest than predicted earlier this year, with forecasts that total production for 1997-98 may now be as high as 80m tonnes, against almost 70m tonnes for 1996.

Earlier spring sowing in some important areas and good weather have contributed to the improved outlook, in spite of the overall sowing area having dropped by about 8 per cent.

Yields per hectare have risen, thanks to a milder winter. Wheat yields have improved by 0.32 tonnes a hectare from last season to 2.72 tonnes, according to Russian agriculture ministry officials.

An additional factor is that the Russian government earlier this year made additional loans of Rbs500bn ($87m) to help farmers buy fuel, fertilisers, pesticides and machinery spares.

Earlier this year the London-based International Grains Council forecast Russia's total grains harvest (comprising wheat and coarse grains) for the 1997-98 season at about 67.5m tonnes.

Grain analysts said an improved harvest would have little impact on world prices, as Russia has in recent years ceased to be a buyer of significant quantities of grains on the international market.

"Livestock numbers have been devastated and Russia has ceased to be a major force on the world grains market," one analyst said yesterday. "You would have to return to the conditions of October 1989, when the Soviet Union bought 8m tonnes from the US in that single month, before Russia recovered influential status."

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1585-86	1610-11
Previous	1567-68	1595-96
High/low		1618/1607
AM Official	1583-84	1611-12
Kerb close		1608-09
Open int.	267,896	
Total daily turnover	92,585	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1420-25	1448-50
Previous	1407-12	1436-37
High/low		1455/1445
AM Official	1420-25	1450-55
Kerb close		1445-50
Open int.	5,329	
Total daily turnover	1,822	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	642-43	651-52
Previous	638-9	648-9
High/low		656/647
AM Official	649.5-50.5	654.5-5
Kerb close		646-47
Open int.	36,381	
Total daily turnover	7,741	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	6685-95	6800-805
Previous	6680-90	6790-800
High/low		6830/6775
AM Official	6710-15	6811-12
Kerb close		6800-10
Open int.	50,487	
Total daily turnover	16,572	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5375-85	5425-35
Previous	5405-15	5455-60
High/low		5460/5400
AM Official	5395-405	5445-50
Kerb close		5410-20
Open int.	14,912	
Total daily turnover	2,897	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1523-24	1532-33
Previous	1522-23	1526-27
High/low		1542/1524
AM Official	1532-33	1537.5-38
Kerb close		1530-31
Open int.	96,152	
Total daily turnover	38,235	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2470-73	2327-28
Previous	2446-49	2303-04
High/low	2471	2340/2320
AM Official	2470-71	2330-31
Kerb close		2318-19
Open int.	141,907	
Total daily turnover	62,610	

■ LME AM Official £/$ rate: 1.6758
LME Closing £/$ rate: 1.6775

Spot: 1.6777 3 mths: 1.6724 6 mths: 1.6667 9 mths: 1.6614

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	110.90	+1.10	111.00	109.30	429	3,992
Aug	109.05	+1.15	109.05	107.90	220	3,532
Sep	108.55	+1.15	109.00	107.20	6,005	22,015
Oct	107.05	+1.05	107.10	107.10	21	1,479
Nov	106.95	+1.15	–	105.50	39	1,224
Dec	106.65	+1.20	105.90	104.30	675	7,848
Total					7,552	48,317

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	326.50-327.00		
Opening	328.00-328.40		
Morning fix	328.05	195.664	484.366
Afternoon fix	326.20	194.863	481.504
Day's High	328.10-328.50		
Day's Low	325.80-326.20		
Previous close	324.10-324.60		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....3.39 6 months 3.61
2 months ....3.48 12 months 3.85
3 months 3.54

Silver Fix	p/troy oz.	US cts equiv.
Spot	257.85	432.00
3 months	261.55	436.80
6 months	265.60	442.05
1 year	273.65	452.35

Gold Coins	$ price	£ equiv.
Krugerrand	323-325	192-194
Maple Leaf	-	-
New Sovereign	76-78	45-46

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	325.5	-3.4	326.0	326.0	–	–
Aug	326.2	-3.4	329.8	325.9	58,939	93,278
Sep	326.8	-3.5	–	–	50	52
Oct	327.8	-3.5	331.1	327.8	727	11,335
Dec	329.7	-3.6	333.5	329.3	3,962	45,730
Feb	331.9	-3.6	335.1	332.3	32	10,332
Total					63,954	213,898

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	411.5	-1.3	–	–	9	348
Oct	399.5	+0.2	401.7	399.0	1,144	9,771
Jan	394.5	+0.2	398.0	396.5	6	1,888
Apr	393.5	+0.2	–	–	5	144
Total					1,163	12,151

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	171.30	+4.95	173.70	168.00	431	3,984
Dec	165.30	+3.95	167.50	166.50	117	947
Mar	163.80	+3.95	–	–	3	25
Jun	162.30	+3.95	–	–	2	107
Total					548	5,063

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	423.0	-1.2	425.5	422.5	12,468	149
Aug	423.1	-1.2	–	–	–	–
Sep	425.8	-1.2	432.0	425.0	233	61,572
Dec	432.0	-1.2	437.0	431.5	999	15,577
Jan	433.7	-1.2	–	–	2	20
Mar	438.1	-1.2	438.0	437.0	87	8,443
Total					13,806	96,337

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Aug	19.19	-0.08	19.32	18.98	45,092	40,896
Sep	19.39	-0.04	19.49	19.25	51,015	80,311
Oct	19.46	–	19.52	19.32	14,512	48,915
Nov	19.53	+0.04	19.55	19.38	5,660	21,012
Dec	19.52	–	19.58	19.48	9,485	46,957
Jan	19.60	+0.06	19.60	19.48	2,337	25,096
Total					133,117	417,649

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	18.10	-0.02	18.20	17.98	8,624	81,401
Oct	18.20	+0.03	18.28	18.08	2,318	26,861
Nov	18.32	+0.05	18.34	18.20	309	11,376
Dec	18.47	+0.11	18.47	18.34	306	16,919
Jan	18.36	–	18.37	18.36	248	12,974
Feb	18.36	+0.02	18.45	18.36	245	4,980
Total					12,070	165,016

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Aug	52.25	+0.03	52.50	51.85	15,134	29,369
Sep	52.80	+0.13	52.95	52.30	12,411	29,489
Oct	53.50	+0.08	53.70	53.20	2,346	23,223
Nov	54.45	+0.13	54.60	54.15	2,880	16,668
Dec	55.40	+0.23	55.45	54.85	2,239	18,406
Jan	56.00	+0.23	56.00	55.70	910	14,276
Total					36,736	164,330

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	162.50	-1.00	163.50	162.00	5,560	18,835
Sep	164.25	-1.25	164.75	163.50	1,656	10,512
Oct	166.50	-1.50	167.00	166.00	445	8,096
Nov	167.50	–	169.00	168.00	605	5,875
Dec	169.50	-1.75	170.50	169.00	592	10,616
Jan	170.00	-2.00	171.50	170.00	274	6,484
Total					8,800	70,880

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Aug	2.090	-0.078	2.135	2.085	14,317	30,711
Sep	2.078	-0.084	2.120	2.070	8,460	30,505
Oct	2.085	-0.083	2.125	2.080	4,347	25,075
Nov	2.235	-0.046	2.265	2.225	1,990	12,246
Dec	2.375	-0.038	2.410	2.370	716	15,573
Jan	2.410	-0.043	2.445	2.410	404	16,028
Total					31,165	200,775

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Aug	59.60	-0.45	60.50	58.85	18,480	29,487
Sep	57.25	-0.43	58.15	56.75	10,843	24,557
Oct	55.70	-0.21	56.15	55.20	3,290	9,365
Nov	54.70	-0.30	55.30	54.70	901	3,957
Dec	54.85	+0.08	54.90	54.85	520	6,902
Jan	54.95	+0.18	55.00	54.95	598	5,692
Total					34,598	84,987

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	81.00	-1.00	81.45	81.25	-	239
Nov	83.00	-1.00	83.55	83.00	63	3,907
Jan	85.25	-1.00	85.75	85.50	63	2,026
Mar	87.25	-1.00	87.50	87.50	35	1,036
May	89.25	-1.00	89.70	89.50	15	779
Total					201	7,912

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	332.50	+4	332.50	323.50	349	274
Sep	340.25	+4.25	341.50	329.00	7,817	42,221
Dec	353.75	+4	355.00	342.50	4,103	37,510
Mar	364.50	+4.25	365.00	353.00	1,314	7,657
May	363.00	+2	365.50	360.00	436	1,194
Jul	366.50	+4	367.00	358.00	338	3,840
Total					14,380	92,720

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	263.75	-6.5	265.75	258.75	3,765	3,818
Sep	245.25	-7.25	246.00	240.50	18,940	63,875
Dec	246.75	-7.25	247.25	242.25	44,560	142,654
Mar	254.50	-6.75	254.75	250.00	4,244	28,027
May	258.50	-7	259.50	255.00	1,081	5,964
Jul	262.50	-7	262.50	258.00	672	9,072
Total					74,159	255,669

■ BARLEY LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	76.25	-1.25	–	–	–	33
Nov	78.75	-1.25	79.50	79.50	20	1,070
Jan	80.75	-1.25	81.50	81.50	12	200
Mar	82.50	-1.25	–	–	–	33
May	83.75	-1.25	–	–	–	9
Total					25	1,345

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	777.50	+1.25	778.00	754.00	1,131	1,524
Aug	739.00	-0.5	740.00	712.00	14,028	27,495
Sep	645.00	-8	645.50	627.00	2,662	13,792
Nov	597.00	-10.5	598.00	586.00	32,879	72,280
Jan	600.50	-10.25	605.75	589.50	817	14,886
Mar	608.75	-9	609.00	601.00	283	4,685
Total					52,490	140,679

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	21.78	-0.29	21.80	21.55	292	327
Aug	21.84	-0.29	21.85	21.57	5,227	18,706
Sep	21.99	-0.3	22.00	21.60	2,087	17,575
Oct	22.10	-0.3	22.13	21.72	838	14,528
Dec	22.29	-0.37	22.49	21.90	7,731	41,422
Jan	22.37	-0.38	22.39	22.15	188	5,781
Total					18,830	103,794

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	275.0	+5	275.5	262.0	1,599	2,364
Aug	245.6	+2.2	246.0	233.8	7,525	26,227
Sep	220.1	+0.4	220.5	212.0	2,861	17,861
Oct	200.8	-0.9	201.8	193.0	2,108	14,218
Dec	193.7	-1.2	194.0	188.0	8,110	39,271
Jan	192.0	-1.8	192.0	188.5	268	5,499
Total					23,043	117,787

■ POTATOES LIFFE (20 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	49.0	+4.0	70.0	–	–	9
Mar	79.0	+9.0	–	–	–	–
Apr	89.0	+8.0	89.0	83.0	169	1,114
May	99.0	+9.0	–	–	–	2
Jun	109.0	+9.0	–	–	–	–
Total					169	1,125

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	1315	-35	1325	1325	15	996
Aug	1278	-37	1295	1280	25	940
Sep	1298	-35	1328	1298	41	314
Oct	1418	-27	1485	1420	15	1,317
Jan	1433	-27	–	–	–	186
Total					96	3,743

	Close	Prev
BFI	1362	1368

FUTURES DATA

All futures data supplied by CMS.

Spices

Black pepper prices continued to rise this week – albeit in a less hectic fashion than in previous weeks, Man Producten reports. The availability of black pepper of all origins has reached a very low level; demand of any importance may easily help push prices to higher levels. The Asta grades have meanwhile been trading as high as $5,100 a tonne FOB origin. The price of the FAQ quality reached about $4,700 FOB. The supply of white pepper remained extremely thin, although the harvest on Bangka is coming off now. Demand for white pepper improved considerably and prices moved to a level of $6,400 CIF for the FAQ grade.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	971	-30	979	968	100	287
Sep	985	-30	1012	977	7,914	29,493
Dec	1019	-27	1042	1015	4,685	38,223
Mar	1043	-24	1060	1040	2,346	46,488
May	1059	-22	1074	1057	752	19,763
Jul	1073	-22	1085	1071	650	6,448
Total					16,843	169,233

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1504	-36	1521	1498	3,577	30,029
Dec	1552	-36	1567	1548	1,154	23,428
Mar	1590	-33	1602	1584	509	22,024
May	1610	-33	1623	1610	54	10,140
Jul	1628	-33	1637	1637	20	1,218
Sep	1648	-33	–	–	–	3,705
Total					5,386	101,065

■ COCOA (ICCO) (SDR's/tonne)

Jul 18	Price	Prev. day
Daily	1209.27	1213.46

■ COFFEE LIFFE (5 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	1527	-58	1567	1530	12	899
Sep	1547	-58	1610	1545	1,693	22,787
Nov	1535	-57	1600	1533	612	14,026
Jan	1507	-55	1573	1506	74	4,656
Mar	1482	-55	1545	1500	24	1,268
May	1467	-55	–	–	–	87
Total					2,415	43,723

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	195.70	+3.20	198.00	189.00	98	234
Sep	158.85	-5.45	164.25	156.00	3,896	11,521
Dec	145.95	-4.15	149.75	144.00	855	5,772
Mar	136.50	-4.00	140.00	135.00	268	2,895
May	132.00	-5.00	137.00	132.00	85	863
Jul	128.75	-5.50	132.50	129.50	83	387
Total					5,216	21,900

■ COFFEE (ICO) (US cents/pound)

Jul 18		Prev. day
Comp. daily	123.46	127.51
15 day average	135.27	135.96

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	324.7	+1.4	325.5	323.5	1,253	12,683
Dec	320.2	+1.0	320.9	319.9	155	4,986
Mar	320.8	–	322.0	321.0	188	5,904
May	320.2	-0.1	–	–	–	1,316
Aug	318.2	+0.1	–	–	343	907
Oct	308.5	+2.7	308.0	307.0	30	1,838
Total					n/a	27,634

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	11.26	-0.02	11.34	11.22	7,755	91,912
Mar	11.50	+0.03	11.53	11.43	3,475	48,540
May	11.41	+0.04	11.43	11.33	1,019	10,590
Jul	11.34	+0.05	11.34	11.28	329	5,382
Oct	11.23	+0.08	11.20	11.16	169	2,345
Mar	11.13	+0.03	–	–	1	735
Total					12,747	157,554

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	74.58	-0.32	74.78	74.25	1,894	12,127
Dec	74.58	-0.28	74.80	74.20	10,551	44,207
Mar	75.85	-0.20	75.95	75.55	1,005	9,640
May	76.50	-0.25	–	–	79	2,642
Jul	76.95	-0.20	76.80	76.60	60	1,495
Oct	75.03	-0.17	–	–	1	316
Total					13,623	78,643

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	75.00	+1.55	75.10	73.35	931	19,351
Nov	77.50	+1.30	77.70	76.25	382	7,064
Jan	80.40	+1.25	80.70	78.50	114	2,843
Mar	83.30	+1.25	83.60	82.40	109	2,012
May	86.05	+0.80	–	–	33	420
Jul	88.80	+0.80	–	88.00	10	97
Total					1,579	31,835

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Jul 21	Jul 18	month ago	year ago
1897.3	1891.5	1995.3	1900.5

■ CRB Futures (Base: 1967 = 100)

Jul 18	Jul 17	month ago	year ago
234.19	234.02		

■ GSCI Spot (Base: 1970 = 100)

Jul 18	Jul 17	month ago	year ago
184.28	185.57	184.08	201.74

LME WAREHOUSE STOCKS (tonnes)

Aluminium	-2,700	to	651,675
Aluminium alloy	-400	to	56,400
Copper	+3,250	to	184,400
Lead	+325	to	117,875
Nickel	+54	to	54,072
Zinc	-3,650	to	411,650
Tin	-30	to	11,845

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Aug	66.050	-0.5	66.450	65.975	4,327	30,426
Oct	69.250	-0.225	69.475	69.050	3,030	35,440
Dec	71.725	+0.15	71.800	71.350	1,481	15,752
Feb	73.650	+0.05	73.675	73.350	693	8,868
Apr	75.450	-0.075	75.550	75.350	451	3,486
Jun	72.050	-0.025	72.375	72.000	237	2,598
Total					10,288	96,769

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Aug	81.350	+0.1	81.850	80.900	2,736	12,722
Oct	73.825	-0.525	74.575	73.350	1,252	12,114
Dec	70.300	-0.55	70.850	69.900	312	5,420
Feb	68.800	-0.55	69.200	68.500	43	1,855
Apr	64.225	-0.775	64.850	64.080	18	1,286
Jun	67.500	-0.9	68.400	67.500	3	747
Total					4,379	34,937

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Jul	85.500	-2.675	87.900	85.175	54	417
Aug	83.225	-3	85.700	83.225	1,847	4,188
Feb	70.100	-1.05	71.300	69.800	203	1,061
Mar	69.875	-0.825	70.000	69.750	3	20
May	72.500	–	–	72.000	1	2
Total					2,105	5,701

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Aug	Nov	Aug	Nov
1500	98	130	1	17
1600	19	66	24	51
1700	1	27	105	111
■ COPPER (Grade A) LME	Aug	Nov	Aug	Nov
2200	186	166	2	61
2300	98	111	14	105
2400	38	70	54	162
■ COFFEE LIFFE	Sep	Nov	Sep	Nov
1550	96	124	90	139
1600	77	106	130	171
1650	62	91	165	206
■ COCOA LIFFE	Sep	Dec	Sep	Dec
1000	28	77	43	58
1025	20	65	60	71
1050	14	55	79	86
■ BRENT CRUDE IPE	Sep	Oct	Sep	Oct
1800	62	89	45	-
1850	36	68	71	-
1900	-	48	-	-

LONDON SPOT MARKETS

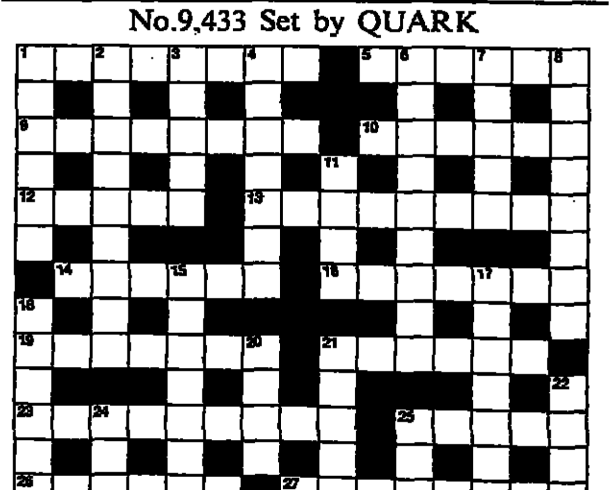
■ CRUDE OIL FOB (per barrel)		+or-
Dubai	$16.94-7.03	-0.165
Brent Blend (dated)	$18.10-8.18	-0.195
Brent Blend (Sep)	$18.04-8.06	-0.180
W.T.I.	$19.34-9.36w	-0.190
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$194-196	
Gas Oil	$162-165	-1.5
Heavy Fuel Oil	$84-86	
Naphtha	$183-186	-2.5
Jet fuel	$179-181	-1
Diesel	$166-168	-1
■ NATURAL GAS (Pence/therm)		
Bacton (Aug)	9.70-9.80	
Petroleum Argus. Tel. London (0171) 359 8792		
IPE (Aug)	9.790	+0.130
■ OTHER		
Gold (per troy oz)♣	$326.75	+2.40
Silver (per troy oz)♣	428.00c	-2.00
Platinum (per troy oz.)	$413.50	+6.00
Palladium (per troy oz.)	$191.00	+9.00
Copper	115.0c	+1.0
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	13.87r	+0.10
Tin (New York)	255.5	-1.0
Cattle (live weight)	96.03p	-6.01*
Sheep (live weight)	106.60p	-10.51*
Pigs (live weight)†	81.19p	-7.26*
Lon. day sugar (raw)	$274.70	+2.80
Lon. day sugar (wte)	$334.60	+4.30
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (Aug)♥	61.00p	
Rubber (Sep)♥	61.00p	
Rubber (KL RSS No1)	238.5x	+2.5
Coconut Oil (Phil)§	$597.5y	+2.5
Palm Oil (Malay.)§	502.5z	
Copra (Phil)§	$397.5y	
Soyabeans (US)	197.0	
Cotton Outlook'A' index	81.55c	
Wooltops (64s Super)	423p	+3

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Jul/Aug. z Aug. w Sep. ♥London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 577 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,433 Set by QUARK



ACROSS

1, 5 Specific psychologist with the French in ugly building scene (8,6)
9 Crowd in one length unable to move (8)
10 Sent round CV to Royal Academy (bound) (6)
12 Popular figure. Name? Bird (5)
13 Ted's tribe gathered. No room for them to live here! (3-6)
14 Difficult and unpleasantly close (6)
16 Pitt (English) he altered word for a name (7)
19 It's difficult to crack (4,3)
21 Lie in wait by method set down (6)
23 Officer's mood changed for the butler (5-4)
25 To some extent colossal volume's a burst of applause (5)
26 About to upset Dolly in an unfriendly way (6)
27 Admitting head's leaving Cambridge college (at university) (6,2)
28, 29 One processing data easily carried away! (6,8)

DOWN

1 Hackneyed phrase used in encyclic headline (6)
2 True Roman in the wars? One that counts (9)
3 Hood turned up in sealskin I borrowed (5)
4 Lad well up in furniture (7)
6 Correspondence but not necessarily indicated in writing (9)
7 Write for another in spirit (5)
8 The whole of tiny tree knocked down (8)
11 The cutter tacks on, we hear (4)
15 Carlton to arrange for a female singer (9)
17 According to Spooner there's a metal mound at front of car (9)
18 It could produce reaction in the tube (8)
20 Make a sharp sound one way or another (4)
21 Possibly show how in a VIP directory (4,3)
22 Metal boiler (6)
24 Most of month's record for a sweet drink (5)
25 Politician supporting runner's stint (5)

Solution to Saturday's prize puzzle on Saturday August 2.
Solution to yesterday's prize puzzle on Monday August 4.

هكذا من الاصل

ces' Russian grain forecasts raised

CROSSWORD

FT MANAGED FUNDS SERVICE

Offshore Funds

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BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

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هكذا من الاصل

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● MANAGED FUNDS NOTES

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq	[illegible]	[illegible]	$-1\frac{1}{2}$	[illegible]	$407\frac{1}{2}$	4,802	6.1	13.1
Bulmer (HP)	[illegible]	$490\frac{1}{2}$	$-14\frac{1}{2}$	[illegible]	$450\frac{1}{2}$	277.9	4.1	♦
Burn St Dist	[illegible]	43	[illegible]	102	43	28.7	9.4	11.2
Glenmorangie A	[illegible]	[illegible]	[illegible]	1040	740	128.9	1.7	23.4
B	[illegible]	[illegible]	[illegible]	1140	955	43.0	0.8	53.1
Grand Met	[illegible]	[illegible]	[illegible]	627	[illegible]	12,780	3.1	19.5
Guinness	[illegible]	[illegible]	-3	627	426	11,508	3.3	17.3
Highland	[illegible]	[illegible]	—	380	$321\frac{1}{2}$	441.8	3.2	15.5
5½pc Cnv Bds	[illegible]	[illegible]	[illegible]	$101\frac{1}{2}$	93	44.2	6.4	–
Kirin Y	[illegible]	[illegible]	$-1\frac{1}{4}$	789	[illegible]	8,213	1.0	–
Matthew Clark	[illegible]	[illegible]	-4	700	275	215.5	12.3	11.6
Merrydown	[illegible]	[illegible]	$+1$	$123\frac{1}{2}$	[illegible]	6.92	6.1	♦
Seagram C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6,203	1.3	–

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

صكذا من الاصل

هكذا من الأصل

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Cont.

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

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LONDON STOCK EXCHANGE

Footsie weaker ahead of Greenspan speech

MARKET REPORT

By Peter John

Big round numbers were beginning to look increasingly remote yesterday as the Footsie retreated further from the 5,000 level and the Dow Jones Industrial Average backtracked from 8,000.

Fundamental news was thin on the ground but, following Friday's wild, derivatives-based ride in the UK, dealers were maintaining very short positions ahead of today's Humphrey-Hawkins testimony by Mr Alan Greenspan, the chairman of the US Federal Reserve.

In December, Mr Greenspan's comments about "irrational exuberance" in financial markets produced the biggest one-day fall in the FTSE 100 index since June 1994. This time, London was leaving very little to chance. Prices were chopped from the start and the Footsie opened 18 points lower to establish a steady downward trend.

The derivative contract on the underlying cash index was priced throughout the session at a discount to its estimated fair value and government bonds were weak across the board.

Further pressure came from the market's recent star sectors – banks and pharmaceuticals – which ran into profit-taking.

British Telecom was another sizeable casualty, amid continuing worries over its planned merger with MCI of the US.

Footsie headed down towards 4,800 and bounced off that level in mid-morning.

Then, a lunchtime rally was undermined by another weak early showing from US equities. The Dow Jones Industrial Average was off more than 40 points in the first hour of trading – adding to Friday's 130-point slide – and Footsie dropped again to record a slump of 200 points from its peak on Friday morning.

Moreover, while turnover appeared impressive at 1.36bn shares by 6pm, half of that figure represented a share buy-back from Thorn.

Finally, figures from France highlighting the public sector deficit added to worries about a weak base to European Monetary Union and were seen as maintaining upward pressure on sterling.

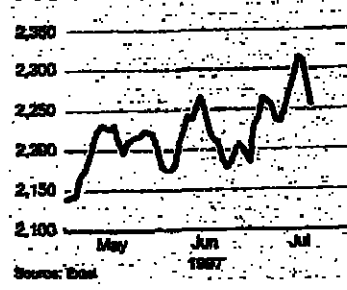
Footsie closed 71.5 off at 4,805.7. But the second-line indices, which have ignored the recent rallies, held up comparatively well. The FTSE 250 ended 20 lower at 4,464.1 and the SmallCap index closed only 6.1 off at 2,188.5

Several strategists remain optimistic about the UK market in an international context despite the seemingly demanding valuations. BZW says: "Buoyant world liquidity is seeping into the UK market through its impact on those sectors which are priced off global benchmarks.

"Domestic liquidity conditions are also supportive. Institutions, already awash with cash, are facing strong inflows, a shrinking gilt market and no net issuance of equities."

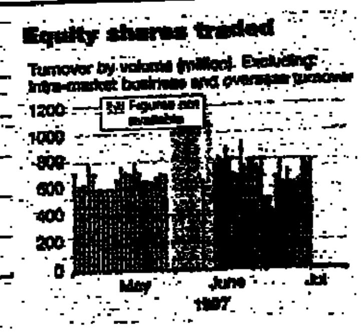
Traders were also sanguine about the correction. One senior institutional sales specialist said: "We tried to break through 5,000 three times on Friday and failed. So now we are consolidating. We have had a good run but there is no scent of a crash."

FTSE All-Share Index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FTSE 100	4805.7	-71.5	FT 30	3061.5	-44.2
FTSE 250	4464.1	-20.0	FTSE Non-Fins p/e	19.03	19.24
FTSE 350	2309.6	-29.9	FTSE 100 Fut Sep	4801.0	-64.0
FTSE All-Share	2256.49	-27.65	10 yr Gilt yield	7.12	7.08
FTSE All-Share yield	3.44	3.39	Long gilt/equity yld ratio	2.07	2.09

Best performing sectors

1 Gas Distribution ....+0.3
2 Textiles & Apparel ....-0.1
3 Paper, Pckg & Print ....-0.2
4 Tobacco ....-0.3
5 Distributors ....-0.3

Worst performing sectors

1 Life Assurance ....-3.0
2 Water ....-2.9
3 Telecommunications ....-2.7
4 Banks: Retail ....-1.9
5 Utilities ....-1.9

United Utilities plunges

By Joel Kibazo, Martin Brice and Peter John

The surprise departure of the chief executive at United Utilities sent the group's shares plunging as fears for its future strategy and dividend surfaced.

By the end of the session, United was down over 9 per cent or 69½ to 699½p, the day's worst performer in the Footsie, on volume of 9m shares.

The bears were very much in the driving seat following the announcement and several brokers moved to downgrade current-year profit expectations. But it was the dividend prospects that received most attention.

United Utilities had indicated it expected annual dividend growth of around 11 per cent. However, the more cautious brokers now say that target is unachievable. Mr Kevin Lapwood, at MeesPierson, saw the departure of Mr Brian Staples as the result of "an ill-advised expansion of the multi-utility concept".

He reduced his dividend forecast for the group by 2 percentage points to 9 per cent, well below the expected 14 per cent for the sector as a whole.

But, by the end of the session, the bulls were straining to have their say. Ms Angela Whelan at Credit Lyonnais Laing dismissed the chief executive's departure as "nothing to do with the current or future strategy of the company".

She added: "This does not threaten the dividend. In fact, the company can grow the dividend by double digits from now until the year 2000."

BT suffered another blow yesterday as one broker took a sharp look at earnings prospects following the recent profits warning from MCI, BT's proposed US merger partner. The shares gave up 14¼ to 415¼p in brisk turnover of 41m, which made it the most-heavily traded in the Footsie.

The stock has fallen more than 13 per cent since the MCI statement nearly two weeks ago and Dresdner Kleinwort Benson has downgraded the stock to a "sell".

Mr James Dodd, at the broker, cut his earnings per share forecast from 35p to 20p for this year. He also estimates eps for the merged group will remain flat next year, and believes that will leave the dividend only barely covered. On those numbers, he argues, the shares should fall another pound to about 300p.

Mr Dodd estimates the Budget tax changes take BT's redundancy costs from £120m to £500m this year, and that will be added to the £510m windfall tax the company faces.

Many banks and hedge funds continued to arbitrage between BT and the US-quoted MCI shares. One analyst said: "This is becoming a white-knuckle ride. UK investors are increasingly of the view that the terms will be renegotiated, while US investors are of the view that they won't be."

Oil majors outperformed the falling market as investors took heart from interim figures released by Exxon, which opened the reporting season for the sector.

One analyst cited "stunning" refining and marketing profits as underpinning 25 per cent earnings growth against a consensus forecast of 11 per cent. The figures gave cause for optimism about BP and Shell Transport, which report at the beginning of August. BP fell just 4½ to 808½p while Shell lost only 3½ to 424½p.

Banking stocks ran into a bout of profit-taking, which was compounded by disappointment over the apparent inability of National Westminster to find a stablemate.

Reports that talks with Prudential had foundered reminded investors that discussions with Abbey National also proved fruitless. And, as bid premium leeched out of the sector, stocks were marked down across the board.

Furthermore, Barclays was sold on concern about its BZW investment banking arm. BZW confirmed that its deputy head of proprietary trading had resigned. The departure follows reports that BZW is facing heavy losses after misjudgments on the stock market.

Barclays fell 44 to £12.39p, Lloyds TSB 18 to 659p, Abbey National 21 to 841½p and NatWest 7 to 859½p. The Pru fell 25 to 561p.

SmithKline Beecham, one of the stocks popular in US portfolios, was off 28 to £11.70½p as the effect of Wall Street's decline during UK trading hours was felt. The same reason was said to be behind the fall of 16¼ to 592¼p at Reuters.

International conglomerate Tomkins was one of a handful of stocks that managed to resist the poor market trend. The shares appreciated 3 to 301p with sentiment enhanced by a NatWest Securities buy recommendation.

The broker suggests investors "add" to holdings, and said: "Tomkins' strategy has began to evolve into a more coherent, value-release philosophy."

Analysts at the securities house continued: "While we recognise that disposing of 3 per cent of group turnover and returning £100m of capital is only the first step in realising the company's full potential, we would inevitably like to see Tomkins shed the one-third of current sales which is dragging back group RoC (return on capital)."

The return of bid rumours to Commercial Union helped the shares resist the market slide. They put on 11 to 694½p, the best performer among FTSE 100 constituents. The group reports interim figures on August 6.

Smiths Industries closed 2 ahead at 728½p, with SBC Warburg reported to have urged investors to buy the shares.

A broker's recommendation helped Johnson Matthey resist a sharp decline. The shares lost 4½ to 575p. Charterhouse Tilney favours the stock.

Analysts at the broker believe: "Johnson Matthey deserves credit for recognising the new opportunities in electronic and pharmaceutical materials and for acting boldly to seize them."

Vickers was up 3 to 180p as it beat the declining trend following weekend press comment that BMW might be encouraged to take a stake if sales of the new Rolls-Royce car model were disappointing.

The reports said Vickers might use the option as a defensive move against a possible bid from GKN, off 10½ to 989p in small volume.

Neepsend, the tool production, metal and plastics processing group, was marked down 7 to 31p following its warning that the strong pound "cannot but affect the out-turn for the current year". It was "vigorously reviewing costs throughout the group".

National Power beat the market trend to advance 2 to 547½p after favourable comment on utilities from BZW's quantitative analysis team.

FT 30 INDEX

	Jul 21	Jul 18	Jul 17	Jul 16	Jul 15	Yr ago	*High	*Low
FT 30	3061.5	3105.7	3128.1	3128.1	3098.3	2696.7	3128.1	2668.8
Ord. div. yield	3.60	3.54	3.51	3.50	3.53	4.17	4.22	3.50
P/E ratio net	17.96	18.75	18.93	18.98	18.79	16.10	18.98	15.80
P/E ratio nil	17.78	18.56	18.74	18.78	18.59	15.99	18.78	15.71

FT 30 since compilation: high 3128.1 18/07/97; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
3094.7	3073.3	3070.1	3066.6	3068.9	3067.2	3067.9	3063.2	3061.2	3094.7	3056.7

	Jul 21	Jul 18	Jul 17	Jul 16	Jul 15	Yr ago
SEAQ bargains	49,055	54,850	56,220	59,786	53,014	26,762
Equity turnover (£m)†	–	NA	NA	2958.4	2716.1	1325.5
Equity bargains†	–	NA	NA	47,906	52,345	29,783
Shares traded (m)†	–	NA	NA	794.0	769.0	462.4

†Excluding intra-market and overseas turnover but including Crest turnover.

 *For 1997.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	315	Total Highs	26	Total contracts	42,714
Total Falls	1,156	Total Lows	110	Calls	15,902
Same	1,603			Puts	26,812

Jul 21 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	4860.0	4801.0	-64.0	4860.0	4795.0	11517	74032
Dec	4873.0	4864.0	-63.5	4873.0	4873.0	90	4615
Mar		4903.0	-64.0			0	101

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep		4505.0	-20.0			0	7117

■ FTSE 100 INDEX OPTION (LIFFE) (*4805) £10 per full index point

	4650 C	4650 P	4700 C	4700 P	4750 C	4750 P	4800 C	4800 P	4850 C	4850 P	4900 C	4900 P	4950 C	4950 P	5000 C	5000 P
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Calls 3,446 Puts 5,854

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	4625 C	4625 P	4675 C	4675 P	4725 C	4725 P	4775 C	4775 P	4825 C	4825 P	4875 C	4875 P	4925 C	4925 P	4975 C	4975 P
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Calls 7,915 Puts 15,259 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§	F.P.	65.5	139½	124½	Ashtenne	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
§100	F.P.	23.9	115	109½	Cammell Laird	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
§260	F.P.	15.8	275	265	Delcam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	F.P.	-	116	114	EMI B	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
•	F.P.	2.02	26	24	†Euro Mining Fin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
§150	F.P.	234.7	202	182½	Galen Hldgs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
§2.5	F.P.	2.75	3½	2¾	†Grosmont Hldgs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
§	F.P.	1.20	1	½	†Grosmont Hld Wrt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
§125	F.P.	6.66	135	112½	†Helicon Publsg	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
§135	F.P.	63.5	149½	142½	Hitachi Cred UK	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
§	F.P.	13.1	140½	130½	Primesight	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
§55	F.P.	9.23	64½	57½	†Pycraft & Arnold	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
100	F.P.	32.7	112½	89½	Reabourne Merlin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
§	F.P.	68.9	227	204½	Royalblue Grp	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
§100	F.P.	7.77	120½	109½	†SBS Group	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	F.P.	-	22¾	20½	Thorn B	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
•	F.P.	4,898	373½	291½	Woolwich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	Jul 18	% chg on day	Jul 17	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (31)	1403.54	+2.9	1364.69	1988.07	[illegible]	[illegible]	[illegible]	[illegible]
■ Regional Indices								
Africa (14)	1434.77	+2.7	1397.43	2696.77	[illegible]	[illegible]	[illegible]	[illegible]
Australasia (6)	1507.30	+0.9	1493.97	2168.91	[illegible]	[illegible]	[illegible]	[illegible]
North America (11)	1394.23	+3.3	1349.82	1734.84	[illegible]	[illegible]	[illegible]	[illegible]

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Jul 21	Day's chge%	Jul 18	Jul 17	Jul 16	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4805.7	-1.5	4877.2	4949.0	4964.2	3681.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE 250	4464.1	-0.4	4484.1	4500.1	4487.5	4231.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE 250 ex IT	4463.2	-0.4	4481.8	4494.4	4480.5	4268.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE 350	2309.6	-1.3	2339.5	2369.0	2373.7	1847.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE 350 ex IT	2310.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE 350 Higher Yield	2238.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE 350 Lower Yield	2384.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE SmallCap	2188.49	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE SmallCap ex IT	2151.34	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE All-Share	2256.49	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE All-Share ex IT	2256.67	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ FTSE Actuaries Industry Sectors

	Jul 21	Day's chge%	Jul 18	Jul 17	Jul 16	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(20)	4650.59	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
12 Extractive Industries(5)	4191.88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
15 Oil, Integrated(3)	4891.72	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
16 Oil Exploration & Prod(12)	3750.99	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
20 GEN INDUSTRIALS(264)	1871.75	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21 Building & Construction(35)	1342.86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22 Building Matls & Merchs(30)	1770.82	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
23 Chemicals(26)	2450.92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
24 Diversified Industrials(15)	1312.80	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Electronic & Elect Equip(37)	1995.94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Engineering(67)	2446.49	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Engineering, Vehicles(13)	2719.63	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
28 Paper, Pckg & Printing(27)	1917.08	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Textiles & Apparel(14)	1027.65	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
30 CONSUMER GOODS(86)	4671.79	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Alcoholic Beverages(7)	3391.11	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
33 Food Producers(25)	2998.35	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Household Goods(17)	3073.89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
36 Health Care(15)	2193.38	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
37 Pharmaceuticals(16)	7731.55	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
38 Tobacco(3)	4268.94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40 SERVICES(273)	2658.29	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 Distributors(30)	2685.55	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Leisure & Hotels(31)	3150.30	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43 Media(44)	3912.03	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44 Retailers, Food(15)	2389.03	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Retailers, General(53)	2182.80	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47 Breweries, Pubs & Rest.(22)	3292.87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48 Support Services(55)	2351.50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 Transport(23)	2870.90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
60 UTILITIES(31)	3039.62	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Electricity(9)	3456.84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
64 Gas Distribution(2)	2228.97	+0.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Telecommunications	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Water(12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 NON-FINANCIALS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 FINANCIALS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Banks, Retail	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
73 Insurance(18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
74 Life Assurance	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
77 Other Financial	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
79 Property(44)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
80 INVESTMENT TRUSTS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
89 FTSE All-Share	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
105 FTSE All-Share ex IT	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE Fledgling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE Fledgling ex IT	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE AIM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE 250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE 350	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE SmallCap	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE All-Share	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Time of FTSE 100 Day's high: [illegible] Low: [illegible]. Time of FTSE All-Share Day's high: [illegible] Low: [illegible].

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† Sector P/E ratios greater than 80 are not shown. ‡ Values are negative. Deletion: John D. Wood (FTSE Fledgling).

FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent. Source: [illegible]

هكذا من الاجل

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jul 21 / Sch)

BELGIUM/LUXEMBOURG (Jul 18 / Frs.)

CZECH REP (Jul 21 / Korun)

DENMARK (Jul 21 / Kr)

FINLAND (Jul 21 / Mk)

FRANCE (Jul 21 / Frs.)

GERMANY (Jul 21 / Dm.)

GREECE (Jul 21 / Drachma)

ITALY (Jul 21 / Lire)

NETHERLANDS (Jul 21 / Fls.)

NORWAY (Jul 21 / Kroner)

POLAND (Jul 21 / Zloty)

PORTUGAL (Jul 21 / Escudo)

SPAIN (Jul 21 / Pts.)

SWEDEN (Jul 21 / Kronor)

SWITZERLAND (Jul 21 / Frs.)

TURKEY (Jul 21 / TL Lira)

PACIFIC

JAPAN (Jul 18 / Yen)

AUSTRALIA (Jul 21 / Aus$)

HONG KONG (Jul 21 / H.K.$)

INDONESIA (Jul 21 / Rupiah)

MALAYSIA (Jul 21 / MYR)

NEW ZEALAND (Jul 21 / NZ $)

SINGAPORE (Jul 21 / S$)

SOUTH KOREA (Jul 21 / Won)

TAIWAN (Jul 21 / TW $)

THAILAND (Jul 18 / Baht)

AFRICA

SOUTH AFRICA (Jul 21 / Rand)

NORTH AMERICA

CANADA

TORONTO (Jul 21 / Can $)
4 pm close

MONTREAL (Jul 21 / Can $)
4 pm close

Prices supplied by Extel, part of FT Information.

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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INDICES

	Jul 21	Jul 18	Jul 17	1997 High		1997 Low	
Argentina							
General(29/12/77)	(c)	22763.94	23118.31	23654.12	11/7	8.88	9/7
Australia							
All Ordinaries(1/1/80)	2853.4	2884.2	2899.7	2745.90	2/7	2382.20	1/4
All Mining(1/1/80)	848.0	857.1	843.5	987.10	24/2	831.10	8/7
Austria							
Credit Aktien(30/12/84)	443.15	449.95	446.88	449.96	18/7	374.40	9/1
Traded Index(2/1/91)	1400.24	1430.23	1429.29	1430.28	18/7	1130.22	9/1
Belgium							
BEL20(1/1/91)	(c)	2494.03	2541.40	2541.40	17/7	1871.06	2/1
Brazil							
Bovespa(29/12/83)	(c)	11182.0	11728.0	13617.00	8/7	8666.80	2/1
Canada							
Metals Mining(1975)	(c)	5076.09	5128.21	5881.35	10/3	4946.96	11/4
Composite(1975)	(c)	6738.19†	6735.10	6736.18	17/7	5578.30	14/4
PortfolioSS(4/1/83)	(c)	3398.32	3421.80	3432.27	16/7	2846.02	11/4
Chile							
IGPA Gen(31/12/80)	(c)	5663.14	5708.86	5868.71	4/7	4812.42	2/1
Denmark							
CopenhagenSE(3/1/83)	641.10	653.43	656.29	656.29	17/7	470.14	2/1
Finland							
HEX General(28/12/90)	3469.83	3463.86	3532.87	3532.87	17/7	2463.28	2/1
France							
SBF 250(31/12/90)	1894.77	1890.32	1933.27	1940.73	16/7	1530.19	2/1
CAC 40(31/12/87)	2874.12	2878.86	2958.88	2980.84	16/7	2256.07	2/1
Germany							
FAZ Aktien(31/12/58)	1385.48	1404.86	1412.60	1412.60	17/7	988.21	2/1
Commerzbank(1/12/53)	4070.2	4129.8	4180.2	4180.29	17/7	2876.80	2/1
DAX(30/12/87)	4106.40	4196.53	4227.31	4227.31	17/7	2848.77	2/1
Greece							
Athens SE(31/12/80)	1536.69	1537.09	1586.46	1727.70	23/5	954.54	2/1
Hong Kong							
Hang Seng(31/7/64)	15536.30	15570.40	15708.29	15708.29	17/7	12055.17	3/4
India							
BSE Sens.(1979)	4154.28	(c)	4193.81	4404.99	9/7	3229.34	2/1
Indonesia							
Jakarta Comp.(10/8/82)	712.40	724.00	(c)	740.83	8/7	631.27	15/4
Ireland							
ISEQ Overall(4/1/88)	3547.83	3610.57	3610.30†	3610.57	18/7	2725.87	2/1
Italy							
Banca Comm Ital(1972)	818.85	823.50	822.69	823.50	18/7	642.56	2/1
MIB General(2/1/97)	1369.0	1388.0	1367.0	1388.00	18/7	981.00	2/1
Japan							
Nikkei 225(16/5/49)	(c)	20240.32	20518.25	20681.07	16/6	17303.65	10/1
Nikkei 300(1/10/82)	(c)	299.39	302.23	302.23	17/7	251.04	27/1
Topix(4/1/68)	(c)	1539.36	1553.14	1560.28	26/6	1320.82	10/4
2nd Section(4/1/68)	(c)	1810.77	1807.12	1848.25	30/6	1516.80	15/4
Malaysia							
KLSE Comp.(4/4/86)	1022.67	1001.55	(c)	1271.57	25/2	1001.55	18/7
Mexico							
IPC(Nov 1978)	(c)	4720.56	4815.37	4862.39	10/7	3359.46	2/1
Netherland							
CBS TtlRtnGen(End 83)	1091.1	1102.7	1119.0	1133.30	16/7	730.80	2/1
CBS All Shr(End 83)	630.5	637.2	646.6	654.80	16/7	429.00	2/1
New Zealand							
Cap. 40(1/7/86)	2459.28	2475.91	2494.66	2526.66	4/7	2207.48	1/4
Norway							
Oslo SE(Ind)(2/1/83)	2067.13	2080.79	2114.59	2121.64	16/7	1639.83	2/1
Philippines							
Manila Comp(2/1/85)	2649.24	2672.95	2620.38	3442.88	3/2	2499.38	20/5
Portugal							
BVL 30(4/1/93)	3336.62	3359.54	3385.53	3481.10	9/7	2165.57	2/1
Singapore							
SES All-S'pore(2/4/75)	485.77	490.48	487.85	573.08	13/2	479.94	29/4
South Africa							
JSE Gold(28/9/78)	1008.3♥	992.0	964.3	1588.10	27/2	903.50	7/7
JSE Ind.(28/9/78)	8979.7♥	8937.7	8941.2	8979.70	21/7	7869.59	2/1
South Korea							
KoreaCompEx**(4/1/80)	740.93	747.37	(c)	792.29	17/6	611.05	7/1
Spain							
Madrid SE(30/12/85)	597.33	603.29	618.32	628.15	7/7	434.54	2/1
Sweden							
AffarsvarldenGen(1/2/37)	(c)	3157.5	3198.9	3232.20	16/7	2378.50	2/1
Switzerland							
SMI Index(1/7/88)	5820.5	5737.1	5868.3	6012.60	9/7	3922.90	7/1
SPI General(1/6/87)	3572.58	3638.72	3704.95	3768.29	8/7	2506.22	6/1
Taiwan							
Weighted Pr.**(30/6/66)	9833.77	9677.40	9571.80	9833.77	21/7	6844.75	6/1
Thailand							
Bangkok SET(30/4/75)	(c)	653.37	656.26	858.97	22/1	464.77	19/6
Turkey							
IMKB Nat 100(1986)	1955.00	2010.0	2008.0	2043.00	14/7	985.00	2/1
WORLD							
MS Capital Int$(1/1/70)	(c)	964.5*	976.9	978.60	16/7	794.50	14/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	2643.18	2701.53	2732.98	2732.98	17/7	1993.89	2/1
FTSE E 100(26/6/90)	2221.36	2248.61	2289.53	2288.85	16/7	1582.99	2/1
HSBC JC Drgn(31/12/88)	(c)	422.45	423.55	429.46	20/1	381.63	29/4
MS Emrg Mkts(7/1/92)	186.41	188.92	191.69	196.81	9/7	159.74	3/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol	Open int.
CAC-40 (MATIF/MONEP) (200 x Index)							
Jul	2858.0	2885.0	+27.0	2888.0	2834.0	15,044	26,804
Aug	2860.0	2893.0	+27.0	2893.0	2845.0	856	5,156
DAX							
Sep	4184.5	4184.0	+16.0	4240.0	4108.0	24,243	80,885
Dec	4232.5	4188.0	+9.5	4257.0	4140.5	157	2,248
OMX							
Jul	2550.00	2524.00	-32.00	2550.00	2512.00	6,539	22,297
Aug	2558.75	2530.00	-22.75	2558.75	2522.50	3,835	8,205
SOFFEX							
Aug	5730.0	5606.0	-114.0	5730.5	5596.0	8,942	16,352

** Sat July 19: Taiwan Weighted Price 9749.30; Korea Comp Ex 742.15. Base values of all indices are 100 except Australia All Ord and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SMI,30, SBF250, CAC40, SPI, Euro Top-100, ISEQ Overall; Toronto Comp./Met & Mins. DAX – all 1,000; SMI – 1500; JSE Gold – 255.7; JSE 25 Ind – 264.3; IMKB Nat. 100 – 1; NYSE All Common – 50; Stand & Poor's – 10 and Amex Comp – 100. §§ Montreal. ✣ Toronto. (c) Closed. (u) Unavailable. † IBIS/DAX after-hours index: Jul 21 – 4138.98 -8.02

† Correction. * Calculated at 15.00 GMT. ✥ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ✥ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock, whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

US INDICES

Dow Jones	Jul 18	Jul 17	Jul 16	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	7890.46	8020.77	8038.88	8038.88 (16/7)	6391.69 (11/4)	8038.88 (16/7/97)	41.22 (8/7/32)
Home Bonds	104.17	104.14	104.11	104.17 (18/7)	101.09 (14/4)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2836.07	2858.07	2894.19	2894.19 (16/7)	2222.07 (2/1)	2894.19 (16/7/97)	13.23 (8/7/32)
Utilities	230.66	232.60	233.46	240.88 (22/1)	209.47 (25/4)	256.46 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 8057.23 (8136.67) Low 7829.81 (7910.87) (Theoretical✥)
Day's high 8036.10 (8068.38) Low 7875.36 (7990.80) (Actual✥)

Standard and Poors	Jul 18	Jul 17	Jul 16	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	915.30	931.61†	936.59	936.59 (16/7)	737.01 (2/1)	936.59 (16/7/97)	4.40 (1/6/32)
Industrials♥	1081.45	1100.86	1106.62	1106.62 (16/7)	865.42 (11/4)	1106.62 (16/7/97)	3.52 (30/6/32)
Financial	102.84	104.73	105.25	105.75 (3/7)	80.75 (2/1)	105.75 (3/7/97)	7.13 (4/8/74)
NYSE Comp.	475.97	482.95	485.24	485.24 (16/7)	389.47 (11/4)	485.24 (16/7/97)	4.84 (25/4/42)
Amex Comp.	633.59	637.34	638.03	638.03 (16/7)	541.20 (28/4)	638.03 (16/7/97)	524.20 (16/7/96)
NASDAQ Cmp	1547.99	1569.85†	1580.83	1580.83 (16/7)	1201.00 (2/4)	1580.83 (16/7/97)	54.87 (3/10/74)

■ RATIOS

	Jul 18	Jul 11	Jul 3	Year ago
Dow Jones Ind. Div. Yield	1.64	1.63	1.63	2.30
	Jul 16	Jul 9	Jul 2	Year ago
S & P Ind. Div. yield	1.50	1.55	1.58	2.32
S & P Ind. P/E ratio	25.78	24.91	24.75	18.63

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Columbia/HCA	10,247,100	31⅞	-1⅛
IBM	9,158,600	104⅝	+4⅛
Iomega	7,534,900	24⅛	+2⅜
Tel Brasil	7,438,300	129¼	-6¼
Philip Mrrs	5,712,600	40⅝	-1½
AT&T	5,376,800	34½	-½
Gen Elec	5,154,200	71⅜	-2
Merck	5,126,000	106⅜	-¾
LSI Logic	4,928,000	32⅝	-2⅛
Motorola	4,749,400	81½	-7⅛

■ TRADING ACTIVITY

● Volume (million)	Jul 18	Jul 17	Jul 16
New York SE	585.620	634.109	634.642
Amex	25.074	26.825	27.263
NASDAQ	679.603	764.612	852.099
NYSE			
Issues Traded	3,398	3,411	3,422
Rises	863	1,295	2,000
Falls	2,034	1,586	906
Unchanged	501	530	516
New Highs	171	390	535
New Lows	19	12	18

	Open	Latest	Change	High	Low	Est. vol	Open int.
■ S&P 500							
Sep	919.50	916.25	-0.75	919.50	911.25	79,813	183,527
Dec	928.25	926.00	-0.90	928.60	924.50	238	5,440

	Open	Sett price	Change	High	Low	Est. vol	Open int.
■ Nikkei 225							
Sep	20400.0	20280.0	-	20580.0	20270.0	16,194	169,244

Open interest figures for previous day.

■ TOKYO - MOST ACTIVE STOCKS: Friday, July 18, 1997

	Stocks Traded	Closing Prices	Change on day
Sakura Bank	6.7m	857	-13
Daiwa Bank	5.8m	615	+12
LTCB	5.6m	547	-26
Toko	5.3m	915	+39
Kumagai Gumi	5.3m	150	+9
Nikko Secs	5.2m	726	+1
Nippon Steel Cp	4.6m	335	+4
Mitsubishi Hvy	4.5m	833	-2
Fujitsu	4.2m	1680	-20
Hitachi	3.7m	1310	-30

4 pm close July 21

NEW YORK STOCK EXCHANGE PRICES

Continued on next page

4 pm close July 21

NYSE PRICES

Continued from previous page

- X - Y - Z -

1997 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Chng
84	51½	Xerox	1.28	1.6	21	6719	80	77¼	78⅞	[illegible]
49	40½	Xtra Corp	0.80	1.8	17	480	44½	43⅝	44½	+¼
25	20¾	Yankee Egy	1.30	5.6	14	51	23½	23⅛	23⅛	-⅛
56	37⅞	York Int	0.48	1.0	15	593	49	48	48¼	-¾
5	4	Zapata	0.28	4.8		855	5⅞	5	5⅞	+⅝
13⅛	9⅛	ZenithE				834	11	11⅝	11	-¼
28⅝	24⅝	Zenith Nat	1.00	3.7	14	50	27	25⅝	26	
7¾	7½	Zenix Inc x	0.73	9.8		150	7¾	7⅝	7⅝	
28¾	17¾	Zero	0.12	0.5	19	101	27¼	26	26⅝	
12	10¾	ZweigFd x	1.20	9.9		189	12	12	12	
9	8	Zweig Tot z	0.84	9.4		333	8	8⅞	8	

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.
d-new yearly low. P/E price-earnings ratio. xd-ex-div. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
‡ Dealings suspended.

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NASDAQ NATIONAL MARKET

4 pm close July 21

- K -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
K Swiss	0.08	88	67	19½	14⅞	15¼	+⅛
Kaman Cp	0.44	25	384	16	15⅝	15	-⅜
Kelly Sv	0.84	16	521	31¾	30¾	31⅜	
Kimball	1.16	15	134	42¼	41½	42	-⅛
KLA-Tn		26	9889	55¼	53⅝	54¾	-¼
Koll A			20	⅛	⅛	⅛	
Komag		18	4143	19	18⅜	18⅝	
Kulicke S			3534	39	37¾	39	+⅛

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Pres Life	0.20	16	688	19⅛	18⅞	19	-⅛
Presstek		178	3557	50	45	48⅛	+½
PrideP		12	1042	26	25⅛	25½	-¼
Printronx		19	211	16½	16⅛	16½	
Qualcomm		108	11207	54	52¼	53⅝	+⅜
Qual Food		22	10	40	40	40	-⅛
Quantum		21	27591	27	25⅝	25	-½
Quickslvr		19	114	32⅜	32⅛	32¼	-⅜
Quintiles		251	1768	75	74¾	75⅜	+⅝

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		32	18591	47½	46	46⅞	
Xircom		20	3530	12⅜	11⅝	11	-⅜
Xoma Corp			2117	5	4⅞	4	-
Yellow			1443	27	26⅜	26½	-½
York Rsch		18	1156	6	5⅞	6	-
ZionsUtah x	0.48	20	1749	36	35½	35½	-¼

AMEX PRICES

4 pm close July 21

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Bowne	0.36	8	159	33	32	32⅞	-
Brascan A	1.04	30	12	26	25	25	-
Cambrex	0.20	18	649	u49⅞	47	48⅞	+1
CnFdCaA	0.01		241	4	u3⅞	3⅞	-⅛
Cominco		19	z0	27¾	27¾	27¾	
CopTch			96	10⅛	9½	9¾	-½
Garan	0.80	11	37	20	19½	19½	-⅜
Giant Fd A	0.76	26	298	33	32	33	
Glatfltr x	0.70	14	570	18	17⅞	17	-1
GoldfId			429	u⅜			
Harold			2127	u1⅝	1	1	
Media A	0.52	17	178				
Merrimedia			2400	11¾	11	11	-
MMwLd			z0	u10¼	10¼	10¼	
Moog A		18	39	29⅞	29⅝	29	-
MSR Expl			171	⅞			-
NatPatDev		6	189	8	8⅞	8⅝	-⅛
ViacmA			158	733	28¼	27⅝	28
ViacmB			155	6565	28⅛	27¼	28⅛
WRET	1.12	21	z0	13½	13½	13½	+
Xytronix			289	1	1	1¼	+

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Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$3		0	8.25	3	Lernout & Hauspie	US$28.875	-0.625	3000	30.125	25
Artwork Systems	US$9.375		0	11.125	9.375	Memco Int'l	US$9.875	+0.25	0	11.75	8.125
Chemunex	FFr14.5	-0.5	2500	18	14	NTL	US$22.375	-0.125	0	25.125	22.375
Dr Solomon's ADS	US$25.375	-1.625	19000	28.375	16.875	ParTech	US$3.875		0	6.125	3.875
Esprit Telecom ADS	US$7.625	-0.125	0	12.25	5.375	Schoeller-Bleckmann	Sch1060	-13	5620	1063	900
Innogenetics	US$10.25		0	12.75	10.25	Topcall Int'l	Sch3268	-37	20170	3318	3065

Prices for 21/7/97. Please note that mid prices are now used to calculate highs and lows.
Information about EASDAQ can be found on the Web site at: HTTP://WWW.EASDAQ.be
EASDAQ offices are located in Brussels (Tel. 32-2 / 227 65 20) and in London (Tel. 44-171 / 489 9890).

US shares flat awaiting testimony

AMERICAS

Wall Street was mixed at midsession as the bond and stock markets awaited the Humphrey-Hawkins testimony by Mr Alan Greenspan, the Federal Reserve chairman, *writes John Labate in New York.*

By early afternoon, the Dow Jones Industrial Average was off 4.87 at 7,885.59 while the broader Standard & Poor's 500 index had lost 3.00 at 912.32.

"It's a pre-Testimony day with some specific stocks weighing on the market," said Mr Jeffrey Applegate, chief investment strategist at Lehman Brothers. The Nasdaq composite index was down 11.60 at 1,536.39.

Bond prices were little changed from late last week, but today and tomorrow are likely to see heavy trading as analysts sift through Mr Greenspan's statements. Volatility in the short-term bond market should greatly influence stock market trading.

"I think Greenspan will talk about productivity helping to keep unemployment low, and how that has helped to keep inflation low," said Ms Marilyn Schaja, money market economist at Donaldson, Lufkin, & Jenrette.

One of the leading contributors to volatility in the Dow this year has been large-volume program trading. Up to mid-June, program trades were running at twice the rate of the same period in 1996, according to Birinyi Associates in Connecticut. That pace is expected to have continued through at least to the end of June.

Boeing, the aircraft manufacturer, lost $\$1\frac{7}{16}$ at $\$54\frac{9}{16}$ after reporting disappointing second-quarter earnings.

Microsoft continued to lose ground following last week's earnings report. The software leader's shares fell \$4½ at \$136 and dragged down many others in the technology sector.

The banking sector was also actively traded following the announcement by First Union that it was to acquire the Virginia-based Signet Banking in a \$3.25bn stock swap. Signet's shares were $\$13\frac{11}{16}$ or more than 37 per cent higher at \$50½, while First Union's shares fell $\$2\frac{1}{16}$ to \$94⅞. Shares in Crestar Financial, another large bank in Virginia, rose \$2½ at \$45⅞.

TORONTO was steady at lower levels at midday after a morning slide. The TSE-300 composite index fell 63.14 to 6,675.05 in turnover of C\$477.8m.

All 14 sub-indices lost ground led by golds, industrials, conglomerates, real estate and utilities which lost more than 1 per cent of their value.

Brazil rallies after fall

SAO PAULO recovered from early falls to trade higher following last week's roller-coaster ride.

The Bovespa index was 117 points higher at 11,298 at midsession, a 1 per cent rise. Bellwether Telebras was up R\$1.50 or 1.1 per cent at R\$141.50.

CARACAS opened lower in thin trading with brokers blaming volatility in Brazil and New York for dampening sentiment. But shares rallied a little and at midsession the IBC index was 10.37 higher at 9,112.97, a rise of 0.11 per cent.

MEXICO CITY extended early falls at mid-morning as profit-taking on market heavyweight Telmex weighed on a thin market. The IPC index was down 58.75 points or 1.25 per cent at 4,661.78. Telmex was down 36 centavos at 19.54 pesos.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1997	Start of 1997	Start of 1997
Austria	+3.05	+8.61	+36.18	+24.43	+9.40	+7.06
Belgium	+0.08	+3.73	+44.99	+28.96	+13.19	+10.77
Denmark	+3.16	+9.61	+60.31	+36.02	+20.21	+17.64
Finland	+3.92	+14.79	+88.58	+44.47	+28.61	+25.85
France	-2.01	+4.31	+41.54	+22.90	+7.92	+5.60
Germany	+3.42	+9.84	+62.06	+41.86	+24.76	+22.09
Ireland	+2.56	+7.68	+46.96	+28.53	+16.23	+13.74
Italy	+4.35	+10.51	+50.73	+41.46	+25.97	+23.27
Netherlands	+0.03	+8.53	+74.88	+44.67	+26.86	+24.14
Norway	+0.41	+6.13	+49.62	+26.20	+11.27	+8.89
Spain	-3.94	+1.14	+73.55	+35.10	+19.10	+16.54
Sweden	-0.60	+7.86	+72.68	+35.95	+21.96	+19.34
Switzerland	-0.88	+3.26	+55.11	+44.48	+34.51	+31.62
UK	+1.68	+5.31	+27.66	+15.46	+15.46	+12.98
EUROPE	+0.91	+6.25	+46.31	+28.80	+19.50	+23.05
Australia	-0.36	-0.92	+30.91	+13.58	+8.15	+5.83
Hong Kong	+0.56	-0.57	+28.15	+5.27	+7.39	+5.09
Indonesia	-0.64	-1.32	+24.11	+9.92	+5.31	+3.05
Japan	+2.64	+1.04	-3.17	+5.88	+8.72	+6.39
Malaysia	-0.38	-8.27	-12.46	-20.46	-22.04	-23.71
New Zealand	-2.42	+1.52	+20.32	+6.22	+0.25	-1.90
Philippines	+0.34	-4.21	-21.39	-19.46	-22.98	-24.63
Singapore	-0.28	+1.87	-1.14	-5.56	-7.97	-9.94
Thailand	+6.00	+47.15	-52.85	-22.90	-33.65	-35.07
Canada	+1.44	+3.60	+39.06	+16.02	+18.19	+15.66
USA	+0.02	+2.05	+41.84	+23.05	+25.75	+23.05
Brazil	-14.43	-8.93	+63.29	+47.26	+44.62	+41.52
Mexico	-2.42	+5.48	+49.46	+38.35	+40.56	+37.54
South Africa	+1.36	+2.17	+7.94	+10.18	+15.40	+12.93
WORLD INDEX	+0.61	+2.82	+31.14	+19.97	+19.36	+16.81

† Based on July 18th 1997.

Merger sends banks higher in Frankfurt

EUROPE

News of the planned merger between the Munich based Bayerische Hypo-Bank and Bayerische Vereinsbank sent bank shares soaring in **FRANKFURT.**

The broader market took its lead from Wall Street. It fell by more than 2 per cent in floor trade, reflecting the Dow's performance on Friday, but picked up in late business as US stocks cut their early losses. The Ibis-indicated Dax index finished 8.02 higher at 4,139.96.

The news lifted most banking stocks, with Hypo-Bank closing up DM9.74 at DM67.74, Vereinsbank rising DM5.02 to DM87 and Dresdner Bank putting on DM4.63 to DM79.89.

Allianz, seen as one of the main beneficiaries of the deal, nonetheless dropped DM11.05 to DM427.95 as the terms suggested an influx of Allianz shares into the market.

PARIS closed slightly lower after moving off lows from mid-afternoon onwards. The market, preoccupied with domestic developments and largely ignoring weakness on Wall Street, decided that the increased rate of corporate capital gains tax, announced by Mr Dominique Strauss-Kahn, the finance minister, was not as negative for companies as previously feared.

The CAC-40 index closed 2.57 lower at 2,874.12 after trading through much of the day above the 2,850 points level.

Retail and consumer goods stocks rose on investor relief that the government did not raise taxes on households. Carrefour rose 0.5 per cent to FFr4,072, Promodes gained 1.1 per cent to FFr2,477 and Pinault-Printemps added 3.5 per cent to FFr2,829 after its Redoute branch bought a mail order company.

Assurances Generales de France fell 2.5 per cent to FFr198.5 following Friday's announcement by the government that it would privatise insurer GAN, in which AGF has expressed an interest.

ZURICH continued its recent slide back from the peaks in nervous trade ahead of the annual economic report to congress today and tomorrow by Mr Alan Greenspan, the Federal Reserve board chairman. The SMI index fell 116.6 to 5,620.5 with much of the loss attributed to derivatives-linked trading.

Cyclicals were under pressure. ABB was SFr32 lower at SFr2,075, Sulzer lost SFr40 to SFr1,160 and Alusuisse fell SFr24 to SFr1,356.

Banks ran into profit-taking after early strength on the German bank merger story. UBS lost SFr35 to SFr1,630, SBC eased Sfr4 to SFr399, and CS Group fell SFr8 to SFr189.50. Among the insurers, Winterthur, which has advanced almost 80 per cent this year on take-over speculation, lost SFr41 to SFr1,376.

MILAN finished mostly higher after a choppy day as Fiat rode out the impact of its one-for-10 bonus issue and Mediaset powered ahead.

The Comit index pulled back 12.55 to 910.95 but the real-time Mibtel index reflected a firmer undertone late in the day with a rise of 85 to 14,626.

Fiat edged just L1 higher to L6,288 but Mediaset roared L407 higher to L8,078, lifted by news of a 122 per cent rise in profits at the Spanish TV group, Telecinco, in which the Italian group has a 25 per cent stake.

AMSTERDAM'S blue-chip AEX index closed down 10.45 at 931.34, after a volatile session. Dealers said the market was characterised by nervousness ahead of company results due out later this week.

Chemical group DSM stood out, boosted by recent brokers' recommendations for cyclical stocks and hopes of a big acquisition. It rose Fl 4.50 to Fl 224.50.

Nordic markets fell on profit-taking, with brokers looking to Wall Street for direction.

In **HELSINKI** heavyweights UPM-Kymmene and Nokia, down FM11.50 at FM426.50 and FM3.60 at FM131.00 respectively, pulled the FOX index more than 2 per cent lower. Raisio trimmed last week's sharp gains to FM602.00, a fall of FM21.00.

Trading in **OSLO** was dominated by industrial conglomerate Norsk Hydro, which announced first-half profits down 4.5 per cent. Oslo's Total share index dropped 0.8 per cent to 1,239.84 points. Hydro finished 2.8 per cent off at NKr387. In **STOCKHOLM** the general index fell 0.92 per cent at 3,091.36.

PRAGUE saw sharp losses in Czech Komercni Banka amid worries over the heavy flooding which has crippled industry in large parts of the country. By the close, Komercni was down Kcs50 at Kcs1,590 and the PX50 index had lost 3.1 to 501.4.

Dealers said Komercni was particularly vulnerable to the flooding, which has affected the eastern third of the country. It is the largest commercial bank and it conducts most of its activities within the business sector, making it highly exposed to the business cycle.

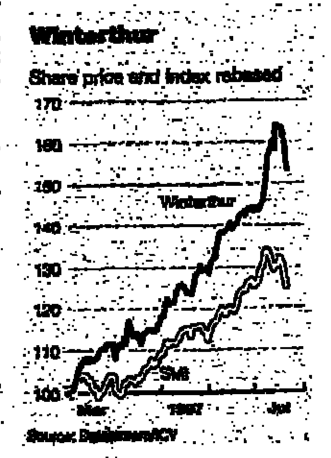
Although the full effects of the flooding are not yet clear, analysts expressed concern about a substantial knock-on effect on company revenues which may push many companies to the point of bankruptcy.

FTSE Actuaries Share Indices

Jul 21	THE EUROPEAN SERIES							
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack 100	2648.54	2646.75	2643.61	2647.53	2644.59	2642.90	2643.00	2643.10
FTSE Eurotrack 200	2639.27	2637.61	2636.86	2640.24	2636.81	2635.39	2632.97	2633.26

	Jul 18	Jul 17	Jul 16	Jul 15	Jul 14
FTSE Eurotrack 100	2701.63	2732.98	2716.04	2685.03	2687.86
FTSE Eurotrack 200	2683.30	2716.99	2716.45	2678.73	2673.52

Base value 1000 (26/10/90) Highday: 100 - 2648.54; 200 - 2641.07 Lowday: 100 - 2641.33 200 - 2630.40. † Partial.



Written and edited by Michael Morgan and Clare Gascoigne

Karachi surges 4.2% on heavy foreign buying

ASIA PACIFIC

Pakistan's shares jumped by a record daily margin of more than 4 per cent, driven by intense foreign buying interest in the country's top three stocks, *writes Farhan Bokhari in Karachi.*

The KSE-100 index crossed the 1,900-point psychological barrier to close at 1,924.07, up 78.77 or 4.27 per cent. The volume of shares traded on the day also set a record as almost 188m shares changed hands, up from a daily average of 15m-20m.

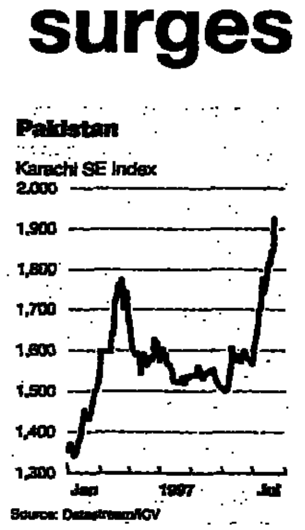
The rise was mainly driven by buying interest in the Hub power company, Pakistan Telecommunications Corporation and ICI Pakistan.

Market analysts attributed the sharp rise to the flow of fresh foreign buying in to Pakistan, though the motives behind the sudden interest were not clear. Mr Arif Habib, president of the Karachi stock exchange, said that investor sentiment had been driven by "the positive sentiments announced by Pakistan in recent months".

A package of incentives announced in May withdrew a 60 per cent withholding tax on foreign portfolio investors.

The government has also extended by three years an exemption on capital gains tax which was due to expire next year.

Mr Shehzad Chamdia, a stockbroker, said the buying was led by foreign investors "who have now returned to Pakistan" for the first time since last year's prolonged political crisis, which led to the downfall of Ms Benazir Bhutto, the former prime minister.



Tokyo and Bangkok were closed for public holidays

Other brokers said there was now fresh enthusiasm over Mr Nawaz Sharif, the prime minister, whose Moslem League party has promised to encourage policies that help new investors. A sharp reduction in personal and corporate income tax rates has been announced to please businessmen.

Some analysts also said yesterday's rise was encouraged by reports of progress in Pakistan's on-going negotiations with the IMF. Pakistan is seeking a three-year loan, understood to be around \$1.5bn, which would help the country to restore its international credibility.

HONG KONG lost momentum late in the day and closed marginally lower, largely on weakness in properties and conglomerates as well as HSBC. The Hang Seng index slipped 34.10 to 15,536.30 after dipping to a low of 15,370.42 in robust turnover of HK\$17.6bn.

The index found support in Hongkong Telecom, up 10 cents to HK\$20.25, and Hang Seng Bank, HK\$4 higher at HK\$115 after an all-time high of HK\$117. The bank and its parent, HSBC Holdings, will report interim earnings on August 4.

HSBC, which has led the market for most of 1997, closed HK\$3 lower at HK\$262 in very heavy trade of HK\$1.6bn. Goldman Sachs cut its rating on the banking group to market outperformer, removing it from the global priority, European priority and Asia recommended lists.

Bank of East Asia rose to an all-time high of HK\$33.10, but eased back to close 90 cents up at HK\$32.90.

Properties were the worst performing sector, led down by a 90-cent fall to HK\$47.40 in New World Development.

KUALA LUMPUR bounced off recent lows to close 2.1 per cent higher as demand from local funds provided support.

The composite index ended 21.12 higher at 1,022.67 as the strengthening Malaysian dollar and easing interest rates brought buyers back to the market.

The property sector rose 2.7 per cent in response to comments by Mr Anwar Ibrahim, the acting prime minister, that the government was considering liberalising property purchases by foreigners.

TAIPEI celebrated the constitutional assembly's adoption of key political reforms by closing at another seven-year high, in spite of heavy profit-taking on electronics.

The index reached an intraday high of 9,896.73 but profit-takers eroded the gains in late trade and the index finished at 9,833.77, up 84.47. Turnover was extremely heavy at T\$231.8bn.

The recently uninspired financial sector, led by the "big three" state-run banks, surged 5.3 per cent. Chang Hwa Bank, First Commercial Bank and Hua Nan Bank all rose the daily 7 per cent limit to T\$139, T\$184.5 and T\$135, respectively. All are seen as benefiting from Taiwan's political reforms.

The volatile electronics sector dropped 5.3 per cent, with semiconductor maker United Microelectronics off T\$8.5 to T\$146.5 and chipmaker Winbond limit down to T\$71.6. Computer giant Acer was also limit down at T\$96.

JAKARTA ended sharply lower as sentiment turned cautious after the rupiah recorded its largest-ever single-day loss due to overseas speculative attacks.

The Jakarta composite index ended down 11.80 points, or 1.6 per cent, at 712.40 after touching a low for the day of 710.61.

Newly-listed chemical firm Lautan Luas was the day's most active stock, with some 20m shares traded. It ended at Rp3,650 against an offer price of Rp2,950.

SYDNEY ended 1.2 per cent lower in response to Wall Street's dip on Friday.

The All Ordinaries index shed 30.8 points to close at 2,653.4.

Dealers said many players were cautious ahead of US Federal Reserve chairman Alan Greenspan's testimony on monetary policy and economic conditions before Congress today.

S Africa golds end off highs

South African gold shares finished off their morning highs as the volatile bullion price dipped, making for uneasy trade. Industrials, by contrast, rose steadily on demand for blue chips.

Industrials rose 42 to 8,979.7, golds added 16.3 at 1,008.3 and the overall index picked up 7 at 7,431.9.

Gencor, which reported a fall in second-quarter profits, lost 40 cents at R19 in volume of 4.5m. Dealers attributed the fall to a tug-of-war between investors backing Gencor or the new London-incorporated Billiton, which had little to do with a drop in Q2 gold profit announced earlier.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS	FRIDAY JULY 18 1997								THURSDAY JULY 17 1997					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (76)	234.83	1.4	207.82	171.47	218.82	211.06	0.8	3.61	231.49	205.34	169.87	215.69	209.34	243.87	190.90	191.86
Austria (25)	203.31	0.1	180.01	148.45	189.27	189.14	0.0	1.74	203.15	180.20	149.07	189.28	189.15	203.31	174.70	179.18
Belgium (29)	252.21	−1.0	223.31	184.16	234.80	230.01	−1.1	2.97	254.68	225.91	186.88	237.30	232.46	261.11	206.88	209.34
Brazil (30)	268.43	−4.4	237.67	196.00	249.90	534.22	−4.3	1.37	280.82	249.10	206.06	261.66	558.42	322.44	170.26	176.52
Canada (127)	219.56	−0.3	194.40	160.32	204.40	218.62	−0.5	1.67	220.34	195.45	161.68	205.30	219.66	220.92	154.12	158.69
Denmark (32)	414.05	−1.7	366.59	302.33	385.46	384.06	−1.8	1.33	421.25	373.66	309.10	392.49	391.13	421.25	303.46	306.19
Finland (28)	309.14	−1.6	273.72	225.73	287.80	343.27	−1.5	1.60	314.06	278.58	230.45	292.62	348.59	314.06	166.67	191.08
France (94)	226.05	−2.5	200.15	165.06	210.45	214.55	−2.6	2.46	231.78	205.59	170.08	215.96	220.18	237.67	186.94	191.17
Germany (59)	231.96	−0.7	205.37	169.37	215.94	215.94	−0.8	1.31	233.51	207.13	171.35	217.57	217.57	233.61	168.70	171.82
Hong Kong, China (66)	532.87	0.4	471.80	389.08	496.08	530.10	0.4	2.86	530.78	470.82	389.48	494.55	528.04	599.63	407.55	416.45
Indonesia (27)	235.15	−1.8	208.20	171.70	218.91	363.52	0.0	1.79	239.46	212.41	175.72	223.12	363.58	254.90	183.62	205.05
Ireland (17)	374.03	−0.2	331.16	273.11	348.20	351.84	0.1	2.73	374.84	332.49	275.05	349.25	351.65	374.84	270.09	271.91
Italy (56)	102.92	−2.4	91.13	75.15	95.81	134.12	−2.2	1.84	105.42	93.51	77.35	98.22	137.19	105.42	73.26	78.35
Japan (485)	137.32	−0.5	121.58	100.27	127.84	100.27	−1.0	0.79	138.03	122.44	101.28	128.61	101.28	150.97	107.57	150.71
Malaysia (107)	460.21	−1.1	407.47	336.04	428.44	466.68	0.5	1.47	465.49	412.90	341.57	433.71	464.32	660.85	460.21	556.41
Mexico (27)	1677.76	−2.5	1485.49	1225.07	1561.93	14524.81	−1.8	1.28	1720.24	1525.90	1262.29	1602.82	14791.75	1736.83	1121.58	1161.18
Netherlands (19)	417.31	−1.5	369.49	304.72	388.50	383.94	−1.7	2.03	423.79	375.92	310.97	394.87	390.43	427.48	279.88	287.48
New Zealand (14)	90.03	−1.7	79.71	65.74	83.81	73.26	−1.1	3.96	91.58	81.23	67.20	85.33	74.10	96.47	79.04	79.04
Norway (41)	321.81	−1.2	284.93	234.98	299.59	323.27	−1.3	1.90	325.87	289.06	239.12	303.63	327.64	326.60	246.04	247.94
Philippines (22)	153.48	4.6	135.89	112.07	142.88	214.97	2.7	0.88	146.68	130.11	107.63	136.67	209.36	214.07	138.54	209.56
Singapore (42)	378.09	0.4	334.76	276.08	351.99	255.57	0.9	1.19	376.54	334.00	276.30	350.84	253.25	448.01	360.06	395.32
South Africa (44)	359.61	−0.5	318.40	262.58	334.78	358.69	−0.3	2.41	361.46	320.62	265.23	336.78	359.90	370.12	301.49	346.29
Spain (33)	256.16	−2.5	226.81	187.05	238.48	292.61	−2.7	2.26	262.86	233.16	192.88	244.91	300.64	276.05	171.91	176.42
Sweden (49)	503.50	−1.5	445.80	367.65	468.74	576.77	−1.5	1.78	511.32	453.55	375.20	476.42	586.50	511.95	334.35	341.07
Switzerland (33)	314.00	−1.6	278.02	229.28	292.33	288.33	−2.1	1.17	319.04	283.00	234.11	297.26	293.07	329.59	231.69	244.78
Thailand (42)	62.20	−2.4	55.07	45.42	57.91	73.50	−1.7	4.21	63.74	56.53	46.77	59.38	74.74	158.78	47.55	156.61
United Kingdom (213)	319.93	−1.1	283.26	233.61	297.84	283.26	−1.3	3.56	323.63	287.07	237.47	301.54	287.07	325.28	231.01	231.33
USA (643)	371.41	−1.6	328.85	271.20	345.77	371.41	−1.6	1.65	377.83	334.97	277.10	351.85	377.63	378.67	254.79	261.86
Americas (827)	338.67	−1.6	300.74	248.02	316.22	286.02	−1.6	1.65	345.29	306.28	253.37	321.72	290.74	347.34	233.09	239.54
Europe (718)	280.24	−1.4	248.13	204.63	260.90	263.35	−1.6	2.44	284.31	252.19	208.63	264.91	267.58	284.44	204.71	208.04
Nordic (150)	431.16	−1.5	381.75	314.83	401.39	433.79	−1.5	1.70	437.88	388.41	321.31	407.98	440.49	437.88	291.45	296.41
Pacific Basin (881)	154.76	−0.3	137.03	113.01	144.08	114.42	−0.6	1.25	155.24	137.70	113.91	144.64	115.16	163.63	127.18	163.06
Euro-Pacific (1599)	207.15	−0.9	183.41	151.25	192.84	170.45	−1.2	1.92	209.12	185.50	153.45	194.85	172.49	209.12	173.56	181.69
North America (770)	362.09	−1.6	320.60	264.39	337.09	361.28	−1.6	1.65	367.92	326.35	269.97	342.80	367.11	369.86	248.65	255.57
Europe Ex. UK (505)	252.47	−1.6	223.54	184.35	235.04	245.63	−1.7	1.81	256.56	227.58	188.26	239.05	249.93	256.56	185.65	190.18
Pacific Ex. Japan (396)	306.98	0.4	271.80	224.15	285.78	274.71	0.5	2.72	305.88	271.32	224.45	285.00	273.29	320.85	269.97	278.27
World Ex. US (1827)	210.82	−1.0	186.66	153.94	196.27	177.17	−1.2	1.90	212.89	188.83	156.21	198.35	179.28	212.89	176.94	182.92
World Ex. UK (2257)	256.43	−1.3	227.04	187.24	238.73	227.88	−1.4	1.59	259.81	230.46	190.65	242.06	230.92	260.18	199.58	204.83
World Ex. Japan (1985)	325.74	−1.4	288.41	237.86	303.25	316.81	−1.5	1.98	330.48	293.14	242.50	307.92	321.54	331.80	233.10	238.38
The World Index (2470)	261.89	−1.3	231.87	191.23	243.81	232.93	−1.4	1.79	265.30	235.33	194.67	247.19	238.22	265.77	202.32	207.19

 Latest prices were unavailable for this edition.